Australian Government
Australian Taxation Office

Partnership tax return and instructions 2024

Use these instructions to help you complete the Partnership tax return 2024. (NAT 0659)

This publication was current at 7 April 2025

NAT 73750-6.2024

Our commitment to you

We are committed to providing you with reliable, accessible and useful information to help you understand your rights and entitlements and your obligations.

If you follow our information in this publication and it is either misleading or turns out to be incorrect and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, you must pay it but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest. If correcting the mistake means we owe you money, we will pay it and any interest you are entitled to.

For more information, go to ato.gov.au/howyouareprotected

If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further help from us.

The ATO Charter outlines the commitments we make to you and everyone we work with, our expectations of you and steps you can take if you are not satisfied. For more information, go to ato.gov.au/atocharter

Currency of information

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for more recent information on our website at ato.gov.au or contact us.

This publication was current at 7 April 2025.

© Australian Taxation Office for the Commonwealth of Australia, 2025

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).

Published by

Australian Taxation Office
Canberra
April 2025

NAT 73750-6.2024

Contents

How to get the Partnership tax return 2024 5
Get the partnership tax return 5
Get the partnership tax return instructions 5
What's new for partnerships? 6
Small business – $20,000 instant asset write-off 6
Small business energy incentive 6
Thin capitalisation 7
Trust income schedule 7
Changes to the Partnership tax return 2024 8
Instructions for completing the Partnership tax return 2024 9
Partnership information 10
Business description and status – items 1 and 2 16
Business income and expenses – item 5 19
Reconciliation items and net income or loss – item 5 37
Income excluding foreign income – items 6 to 9 44
Income excluding foreign income – items 10 to 15 56
Deductions – items 16 to 20 72
Foreign income – items 22 to 24 79
Overseas transactions or thin capitalisation – items 29 to 30 84
Taxation of financial arrangements – items 31 and 32 98
Key financial information – items 33 to 36 102
Business and professional items – items 37 to 53 103
Statement of distribution – item 54 125
Declarations 132
How to lodge your partnership tax return 133
Lodgment due date 133
Lodgment address 133
Schedules for partnerships 134
About the schedules 134
Schedule of additional information 134
International dealings schedule 134
Trust income schedule 135
Non-individual PAYG payment summary schedule 135
Partnership worksheets 137
Appendixes for the partnership tax return 138
Appendix 1: Dividends 139
Appendix 2: Royalties 144
Appendix 3: Thin capitalisation 146
Appendix 4: Commercial debt forgiveness 148
Appendix 5: Capital works deductions 152

Appendix 6: Uniform capital allowances 158
Appendix 7: Deductions applicable to partners 171
Appendix 8: Depreciation deductions for small business entities 174
Appendix 14: Small business entity concessions 179
Appendix 15: Exploration Credits 184
Appendix 16: Small business bonus deductions 185

How to get the Partnership tax return 2024

How to get the partnership tax return, instructions and who should use the partnership tax return.

In this section

Get the partnership tax return

Get the partnership tax return instructions

Get the partnership tax return

To get the Partnership tax return 2024 go to our Publications Ordering Service (POS) at iorder.com.au.

Get the partnership tax return instructions

For help preparing the tax return, see Instructions to complete the Partnership tax return 2024.

The *Partnership tax return instructions 2024* are not available in print.

You can create and save a PDF copy (926 KB) from this webpage – **Print or Download icon** under the page heading then select **PDF whole topic**.

Using the partnership tax return instructions

These instructions will help you complete the *Partnership tax return 2024* (NAT 0659).

You don't need to lodge a partnership tax return if you were not in a partnership carrying on a business or where the only income you derived jointly (or in common) with another person was:

- rent from a jointly owned investment property
- interest from a jointly held account
- dividends from jointly held shares.

In these instances, each individual shows their share of the income and expenses at the appropriate items on their own individual tax return.

When we say **you** or **your business** in these instructions, we mean either:

- you as a business entity (the partnership) that conducts a business
- you as the tax agent responsible for completing the tax return.

These instructions are not a guide to income tax law. Ask us or a recognised tax adviser for help if these instructions don't fully cover your circumstances.

When we refer to a publication or the associated instructions, we link to the page where you are able to download a copy or access the web content.

What's new for partnerships?

Find out what's new in legislation or other changes to consider when lodging the partnership tax return.

In this section

Small business – $20,000 instant asset write-off

Small business energy incentive

Thin capitalisation

Trust income schedule

Changes to the Partnership tax return 2024

Small business – $20,000 instant asset write-off

The Treasury Laws Amendment (Support for Small Business, Charities, and other Measures) Act 2024 provides a temporary increase to the instant asset write-off threshold to support small business entities (with an aggregated annual turnover of less than $10 million).

Eligible small business entities can immediately deduct the full cost of eligible depreciating assets costing less than $20,000 that were first used or installed ready for use for a taxable purpose between 1 July 2023 and 30 June 2024.

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

The 5-year 'lock out' rule is suspended until 30 June 2024. This rule prevented small business entities from re-entering the simplified depreciation regime if they opted out.

If you're claiming a deduction under the instant asset write-off, complete item **5** – label **K Depreciation expenses** and item **50** – label **A Deduction for certain assets**.

For more information, see Small business support – $20,000 instant asset write-off.

Small business energy incentive

The Treasury Laws Amendment (Support for Small Business Charities, and other Measures) Act 2024 provides businesses with an aggregated annual turnover of less than $50 million with access to a bonus deduction equal to 20% of the cost of eligible assets and improvements to existing assets that support more efficient energy use.

This is a temporary measure to support small businesses to improve their energy efficiency and save on energy bills. The bonus deduction applies to the cost of eligible assets and improvements up to a maximum amount of $100,000, with the maximum bonus deduction being $20,000.

If you're claiming the bonus deduction for the small business energy incentive, complete item **52** – label **C Small business energy incentive** and item **5 Reconciliation items** – label **B Expense reconciliation adjustments**.

For more information, see Small business energy incentive.

Thin capitalisation

The Treasury Laws Amendment (Making Multinationals Pay Their Fair Share – Integrity and Transparency) Act 2024 amends thin capitalisation rules for income years commencing on or after 1 July 2023.

Under the new thin capitalisation rules:

- The newly classified 'general class investors' will be subject to one of 3 new tests
  - Fixed ratio test
  - Group ratio test
  - Third party debt test.
- Financial entities will continue to be subject to the existing safe harbour test and worldwide gearing test or may choose the new third party debt test.
- Authorised deposit-taking institutions (ADIs) will continue to be subject to the previous thin capitalisation rules.
- The arm's length debt test has been removed for all taxpayers.

These rules are supported by the new integrity rules – debt deduction creation rules, which will apply to assessments for income years starting on or after 1 July 2024.

If you answered **Yes** at item **29** – label **W** or label **O** in the partnership tax return, you must also complete and lodge an International dealings schedule 2024.

For more information, see Thin Capitalisation.

Trust income schedule

From the 2024 income year, if you received one or more distributions from trusts, you must complete a *Trust income schedule 2024* and attach it to your partnership tax return. The trust income schedule details each distribution that you receive from trusts.

Complete the schedule if you report a distribution from a trust at:

- item **8** Partnerships and trusts
- item **22** Attributed foreign income
- item **23** Other assessable foreign source income.

For information to help you complete the trust income schedule and who must complete the schedule, see Trust income schedule and instructions 2024.

Changes to the Partnership tax return 2024

In the *Partnership tax return 2024*, the following temporary full expensing labels have been removed:

- Item **49** Capital allowances, labels
  - **P** Are you making a choice to opt out of TFE for some or all of your eligible assets?
  - **Q** Number of assets you are opting out for
  - **R** Value of assets you are opting out for
  - **S** Temporary full expensing deductions
  - **T** Number of assets you are claiming for.

Instructions for completing the Partnership tax return 2024

Instructions for how to complete the Partnership tax return 2024.

In this section

Partnership information

Business description and status – items 1 and 2

Business income and expenses – item 5

Reconciliation items and net income or loss – item 5

Income excluding foreign income – items 6 to 9

Income excluding foreign income – items 10 to 15

Deductions – items 16 to 20

Foreign income – items 22 to 24

Overseas transactions or thin capitalisation – items 29 to 30

Taxation of financial arrangements – items 31 and 32

Key financial information – items 33 to 36

Business and professional items – items 37 to 53

Statement of distribution – item 54

Declarations

Partnership information

Instructions to complete the information that identifies the partnership.

In this section

Tax file number (TFN)

Name of partnership

Australian business number (ABN)

Previous name of partnership, current and previous postal address

Full name of partner to whom notices should be sent

Interposed entity election status

Final tax return

Tax file number (TFN)

Write the TFN of the partnership in the boxes provided.

Attachments to the tax return

If these instructions ask you to provide additional information, attach the additional information to the tax return and print **X** in the **Yes** box at **Have you attached any 'other attachments'?**.

If you complete the tax return, you don't need to attach any other documents to it, print **X** in the **No** box.

Name of partnership

Write the name of the partnership in the boxes provided. The partnership name should be consistent from year to year, except in the year of a name change.

If the partnership name is legally changed, advise us in writing at the time the change is made and include the **previous name of your partnership** where required in the tax return.

If the partnership name has changed due to the partnership being reconstituted, you need to supply a schedule of additional information with the following details:

- the date of dissolution
- the date of the reconstitution
- the names of the new, continuing and retired partners
- the TFN or address and date of birth of all new partners
- the persons authorised to act on behalf of the partnership, if these details have changed.

Australian business number (ABN)

Write the ABN of the partnership in the boxes provided.

Previous name of partnership, current and previous postal address

Write:

- the previous name of the partnership as shown on the last tax return, if applicable
- the current postal address
- the previous postal address as shown on the last tax return, if applicable.

Use C/- when 'care of' is part of the address.

Full name of partner to whom notices should be sent

Write the family name and given names of the partner to whom notices should be sent.

If the partner is:

- a company, show the name and the ABN of the company
- a trustee of a trust, show the name of the trustee and trust. If the trustee is a company, show the name and ABN of the company.

Interposed entity election status

You must complete this item if any of the following apply:

- The partners are making one or more interposed entity elections specifying a day in the 2004–05 or later income year in accordance with section 272-85 of Schedule 2F to the ITAA 1936.
- The partners have previously made one or more interposed entity elections specifying a day in the income years from 1994–95 to 2022–23 in accordance with
  - section 272-85 of Schedule 2F to the ITAA 1936, and
  - if applicable, items 23 or 23A of Schedule 1 to the *Taxation Laws Amendment (Trust Loss and Other Deductions) Act 1998*, and
  - at least one interposed entity election has not been revoked in an income year before 2023–24 in accordance with subsections 272-85(5A) to 272–85(8) of Schedule 2F to the ITAA 1936.
- The partners are revoking, from a time in 2023–24, one or more previously made interposed entity elections in accordance with section 272-85 of Schedule 2F to the ITAA 1936.

A partner can't make an interposed entity election specifying a year earlier than 2004–05 (section 272-85 of Schedule 2F to the ITAA 1936).

Don't attach election forms for an interposed entity election made specifying an income year before 2004–05 to the *Partnership tax return 2024*.

For more information, see Interposed entity election or revocation 2024.

Find out about:

- Making an interposed entity election
- Revocation
- Lodging the interposed entity election or revocation
- Family trust distribution tax

Making an interposed entity election

If the partners are making one or more interposed entity elections specifying a day in 2004–05 or a later income year, write the earliest income year specified in the box at this item. You will also need to complete an *Interposed entity election or revocation 2024* for the election, specifying a day in 2004–05 or the later income year.

Example 1: new election specifying 2023–24

The partners have not previously made an interposed entity election. They now want to make an interposed entity election specifying a day in 2023–24.

They write **2024** in the box at this item.

They complete an *Interposed entity election or revocation 2024*, specifying a day in 2023–24.

They may attach the completed form to their *Partnership tax return 2024*.

Example 2: new election specifying an earlier income year

The partners have not previously made an interposed entity election. They now want to make an interposed entity election specifying a day in 2006–07.

They write **2007** in the box at this item.

They complete an *Interposed entity election or revocation 2024*, specifying a day in 2006–07.

They may attach the completed form to their *Partnership tax return 2024*.

If the partners have previously made one or more elections specifying a day in an income year before 2023–24, write the earliest income year specified in the box at this item unless the partners are making one or more elections specifying a day in 2004–05 or a later income year.

Example 3: multiple existing interposed entity elections

The partners have previously made interposed entity elections specifying a day in the 1997–98 and 2006–07 income years respectively. They are not making another interposed entity election.

They write **1998** in the box at this item.

The partners don't need to complete an *Interposed entity election or revocation 2024*.

Example 4: additional election specifying an income year

The partners have previously made an interposed entity election specifying a day in 1996–97 and want to make another interposed entity election specifying a day in 2021–22.

They write **2022** in the box at this item.

They complete an *Interposed entity election or revocation 2024,* specifying a day in 2021–22.

They attach the completed form to their *Partnership tax return 2024*.

If the partners have previously made one or more elections specifying a day in an income year before 2004–05 and took advantage of the one-off opportunity in Law administration practice statement PS LA 2004/1 (GA) (Withdrawn) *Lodgment opportunity for family trust and interposed entity elections* to specify an earlier year, write the earliest income year specified in the box unless the partners are making one or more elections specifying a day in 2004–05 or later income year.

Example 5: existing elections, taken advantage of the one-off opportunity

The partners have previously made an interposed entity election specifying a day in 2003–04. The partners took advantage of the one-off opportunity in *PS LA 2004/1 (GA) (Withdrawn)* requesting that the election apply from 1997–98.

They write **1998** in the box at this item.

The partners don't need to complete an *Interposed entity election or revocation 2024*.

Revocation

An interposed entity election can only be revoked by the partners of a partnership that satisfy all the relevant conditions in section 272-85 of Schedule 2F to the ITAA 1936.

The revocation must be made with the partnership's tax return for the income year from which the revocation is to be effective.

If the partners revoke from 2023–24 the interposed entity election they made:

- print **R** in the box at this item
- complete an *Interposed entity election or revocation 2024*
- attach it to the *Partnership tax return 2024*.

Example 6: revoking an interposed entity election

The partners had previously made an interposed entity election specifying a day in 2020–21 and meet the conditions to revoke their interposed entity election in 2023–24.

They print **2021** in the box at this item and print **R** in the box at this item. The partners need to complete an *Interposed entity election or revocation 2024* and lodge this with their *Partnership tax return 2024*.

An interposed entity election is taken to be revoked if the family trust election to which it relates is revoked.

Lodging the interposed entity election or revocation

If the partnership's tax return is not lodged electronically, and the *Interposed entity election or revocation 2024* is being lodged with the *Partnership tax return 2024*, send the tax return and the *Interposed entity election or revocation 2024* to the address below.

Where a *Partnership tax return 2024* is not required, and the Interposed entity election or revocation 2024 is required, send the completed *form* to the address below, no later than 2 months after the end of 2023–24.

Australian Taxation Office
GPO Box 9845
[insert the name and postcode of your nearest capital city]

Family trust distribution tax

A consequence of a partnership making an interposed entity election is that, under section 271-25 of Schedule 2F to the ITAA 1936, a special tax 'family trust distribution tax' (FTDT), is payable at 47%. FTDT applies to any conferral of present entitlement to, or distribution of, income or capital of the partnership to persons who are not members of the family group of the specified individual within the meaning of section 272-90 of that schedule.

A distribution of income or capital by a partnership is defined in sections 272-55 and 272-60 of Schedule 2F to the ITAA 1936.

You will need to complete and send us the Family trust distribution tax payment advice with your FTDT payment.

Make cheques or money orders payable to the Deputy Commissioner of Taxation and print 'Not negotiable' across the cheque. Tender all cheques in Australian currency. Don't send cash by post. Other payment options are also available.

For more information, see How to pay.

Final tax return

Print **X** in appropriate box.

If the partnership does not expect to lodge further tax returns, print **X** in the **Yes** box.

You must also attach to your return a statement providing:

- the reason further tax returns will not be lodged, and
- the manner of disposal of any assets of the partnership if not disclosed elsewhere in the tax return.

If it is the final tax return **because the partnership has been reconstituted**, include in the statement the names of the partners in the new partnership and the trading name, if any, of the new partnership.

Print **X** in the **No** box if this is the final tax return because:

- the partnership became a subsidiary member of a consolidated group or MEC group during 2023–24, and
- membership of the consolidated group or MEC group is the only reason for which the partnership will not be required to lodge future tax returns.

Business description and status – items 1 and 2

Instructions to complete items 1 to 2 in the tax return that relate to the partnership's business description and status.

In this section

1 Description of main business activity

2 Status of business

1 Description of main business activity

Describe **as accurately as possible** the business activity from which the partnership derived the highest gross income – for example, beef cattle breeding, vegetable growing, clothing manufacturing, confectionary wholesaling, domestic appliance retailing, or share trading.

Don't use general descriptions, such as farming, manufacturing, wholesaling or investing.

Industry code

Write at label **A** the appropriate industry code for the partnership's main business.

Use the Business industry code tool to find the code that describes your main business activity as accurately as possible. The industry code is made up of 5 digits. For example, if the industry is dairy cattle farming, the code in the tax return is shown as **01600**.

An incorrect code may result in either:

- you not receiving a necessary service or material from us
- incorrect targeting of audits.

The industry code provided is also used to publish industry benchmarks in taxation statistics.

The industry coding regime we use is a modified version of the Australian and New Zealand Standard Industrial Classification (ANZSIC) produced jointly by the Australian Bureau of Statistics (ABS) and Statistics New Zealand.

2 Status of business

Complete the following:

- Status of business
- Consolidation status
- Significant global entity
- Country-by-country reporting entity

Status of business

Print **X** at label **B1**, **B2** or **B3** to show the appropriate description for the status of the business. If more than one selection applies, select the first applicable option.

If none of the selections apply, leave labels **B1** to **B3** blank.

Consolidation status

Print **X** at label **Z2** if the partnership was a subsidiary member of a consolidated group or MEC group at any time during the income year.

In this case, the tax return is for the period or periods during which the partnership was not a subsidiary member of a consolidated group or MEC group in 2023–24 (non-membership periods). You must complete applicable schedules for periods attributable to the non-membership period.

For information on reporting multiple non-membership periods during the year, see C9-5-110 in the *Consolidation reference manual*.

Significant global entity

Print **X** at label **G1** if the partnership was a significant global entity (SGE) for the income year.

An entity is an SGE if it is one of the following:

- a global parent entity with an annual global income of A$1 billion or more
- a member of a group of entities consolidated for accounting purposes, and one of the other group members is a global parent entity with an annual global income of A$1 billion or more
- a member of a notional listed company group, and one of the other group members is a global parent entity with an annual global income of A$1 billion or more.

A notional listed company group is a group of entities that would be required to be consolidated for accounting purposes as a single group, on the assumption that an entity of the group were a listed company. Disregard any exception in accounting principles that may prevent an entity from consolidating with other entities.

An entity is also an SGE if it satisfies the following:

- it is a global parent entity, or a member of an actual or notional accounting consolidated group which includes a global parent entity
- the Commissioner has given a notice determining that its annual global income would have been A$1 billion or more for the period had global financial statements been prepared.

For more information on the definition of a SGE and what it means to be a SGE, see Significant global entities.

If you are an SGE, you also need to consider whether you are a country-by-country (CBC) reporting entity. CBC reporting entities must complete label **G2** and may have additional reporting obligations.

Country-by-country reporting entity

Print **X** at label **G2** if you were a country-by-country (CBC) reporting entity for the income year.

An entity is a CBC reporting entity if it is either:

- a CBC reporting parent
- a member of a CBC reporting group, and one of the other group members is a CBC reporting parent with an annual global income of A$1 billion or more.

A CBC reporting group may be a group that is consolidated for accounting purposes as a single group or a notional listed company group. A notional listed company group is a group of entities that would be required to be consolidated as a single group on the assumption that an entity of the group were a listed company.

Unlike under the SGE definition, the exception to consolidation in the accounting principles related to investment entities is not disregarded. That is, if applicable, the investment entity exception in the accounting principles should be applied when determining whether an entity is a CBC reporting entity.

If an entity was a CBC reporting entity for the whole or part of the preceding income year, it may have CBC reporting obligations.

For more information on the definition of a CBC reporting entity and CBC reporting obligations, see Country-by-country reporting.

Business income and expenses – item 5

Instructions to complete item 5 business income and expenses – excluding foreign income.

In this section

Amounts to include at 5

Income (all partnerships)

Expenses

Amounts to include at 5

The amounts you include here, at business income – labels **C** to **G** and **D** to **H**, and expenses – labels **P** to **N**, are accounting system amounts subject to 2 exceptions for small business entities. These exceptions relate to the expenses and apply where small business entities choose to use:

- the simplified trading stock rules – they should use tax values for their closing stock in calculating their cost of sales from label **E**
- the simplified depreciation rules – they should use tax values for their depreciation expenses from label **K**.

For more information on small business entities, see Appendix 14.

The accounting system amounts are shown or included on the business profit and loss statements and form the basis of the calculation of the business net profit or loss. Make adjustments to these accounting amounts for tax purposes at item **5 Reconciliation items**.

Goods and services tax (GST) is payable by entities that are registered, or required to be registered, for GST. If GST is payable on income, exclude the GST from the income derived. Exclude input tax credit entitlements on outgoings from deductions. Some GST adjustments (for example, occurring where the percentage of business use of an asset changes) may be included in assessable income or allowed as deductions.

Only include at item **5**:

- business income amounts derived directly by the partnership.
- Australian-sourced income.

Include distributions received from other partnerships and trusts at item **8 Partnerships and trusts**.

Include foreign source income at:

- item **22 Attributed foreign income**
- item **23 Other assessable foreign source income**.

Income and expenses are divided into 3 columns:

- Primary production – showing relevant amounts of income and expenses from primary production.
- Non-primary production – showing relevant amounts of income and expenses from non-primary production.
- Totals – showing the total of the amounts within the previous 2 columns.

Income subject to foreign resident withholding is shown only at label **B** in the 'Non-primary production' column and the 'Totals' column.

If the partnership is eligible and is continuing to use the simplified tax system (STS) accounting method, see Former STS taxpayers. Otherwise, see Income (all partnerships).

For more information on primary production income and expenses, see Information for primary producers 2024.

Former STS taxpayers

Partnerships using the simplified tax system, find out about:

- Continued use of the STS accounting method
- Ceasing use of the STS accounting method.

Continued use of the STS accounting method

Although the STS has now ceased, a partnership may continue using the STS accounting method for 2023–24 if it:

- was an STS taxpayer continuously from the income year that started before 1 July 2005 (that is from 2004–05) until the end of 2006–07
- used the STS accounting method from 2005–06 to 2022–23, and
- is a small business entity for 2023–24.

If the partnership meets these 3 requirements, it can continue using the STS accounting method until it chooses not to, or is no longer a small business entity.

The STS accounting method recognises most income only when received. A partnership that is eligible to continue using the STS accounting method can claim deductions for the following expenses only when they are paid:

- general deductions – for example, stock purchases, wages and rent of business premises
- tax-related expenses
- expenses for repairs.

If the partnership is registered or required to be registered for GST, exclude GST payable from income amounts and input tax credit entitlements from deductions.

The STS accounting method does not apply to income or deductions that receive specific treatment in the income tax law, for example, dividends, depreciation expenses, bad debts and borrowing expenses.

In addition, if another provision of the income tax law apportions or alters the assessability or deductibility of a particular type of ordinary income or general deduction, the timing rule in the specific provision overrides the received or paid rule under the STS accounting method – for example, double wool clips or prepayment of a business expense for a period greater than 12 months. Because of these specific provisions you may need to make adjustments at item **5 Reconciliation items**.

Accordingly, base the amounts at item **5 Reconciliation items** on the STS accounting method where applicable.

If the partnership is continuing to use the STS accounting method and its profit and loss statement does not reflect the STS accounting method rules, you may need to make additional adjustments to show the correct amounts at labels **Q**, **R** and **S** for Net income or loss from business. For more information on these adjustments, see item **5 Reconciliation items**.

Ceasing use of the STS accounting method

If the partnership has discontinued using the STS accounting method, business income and expenses that have not been accounted for (because they have not been received or paid), will be accounted for in this year. You may need to make additional reconciliation adjustments; see Appendix 14.

Income (all partnerships)

This section deals with:

- Gross payments where ABN not quoted
- Gross payments subject to foreign resident withholding (excluding capital gains)
- Assessable government industry payments
- JobMaker hiring credit reporting
- Other business income
- Total business income

Gross payments where ABN not quoted

Show at label **C** and **D**, as appropriate, gross income received by the partnership that was subject to withholding where an ABN was not quoted. This includes amounts of tax withheld.

If you show an amount at label **C** or **D**, complete a *Non-individual PAYG payment summary schedule 2024* and attach the completed schedule to the partnership tax return. For instructions, see Completing the Non-individual PAYG payment summary schedule.

If you complete label **C** or **D**, show the corresponding amount of tax withheld where an ABN was not quoted at item **6** – label **T**.

Gross payments subject to foreign resident withholding (excluding capital gains)

Complete only if a partnership received gross payments subject to foreign resident withholding.

Show at label **B** gross payments to the partnership that were regulated foreign resident income. Gross payments include amounts of tax withheld.

Regulated foreign resident income refers to payments which are prescribed in the Taxation Administration Regulations 2017 (and former Taxation Administration Regulations 1976) as being subject to the foreign resident withholding measure.

Don't include payments where the amount was varied to nil under the foreign resident withholding measure because the income was not taxable under a tax treaty (also referred to as double tax agreement).

Don't show at this item amounts subject to foreign resident capital gains withholding.

If an amount is shown at label **B**, complete a *Non-individual PAYG payment summary schedule 2024* and attach the completed schedule to the partnership tax return. For more information on tax withheld where no ABN was quoted, and for instructions on completing this schedule, see Completing the Non-individual PAYG payment summary schedule.

Broadly, the foreign resident withholding regime applies to foreign residents who engage in certain regulated categories of activities in Australia, such as foreign residents involved in sport, entertainment, and building and construction. Only foreign residents should complete this entry. An Australian resident should not include an amount, such as foreign sourced income, at this entry.

Show gross distributions of regulated foreign resident income from other partnerships and trusts at item **8**. A *Non-individual PAYG payment summary schedule 2024* is not required for these distributions because they don't have an associated payment summary.

You will not have any primary production amounts at this item.

Assessable government industry payments

Generally, government grants, rebates, bounties and subsidies are assessable income in the hands of the recipient if they are received in, or for, the carrying on of a business. This generally includes amounts of a capital nature. However, amounts relating to the starting or ceasing of a business may not be assessable.

In certain circumstances, a specific grant or payment may be exempt income or non-assessable non-exempt income.

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

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

- Cash flow boost payments (COVID-19) (non-assessable non-exempt income). If cash flow boost payments have been included as income in the partnership accounts, they can be reported at labels **G** and **H Other business income**, as appropriate, and then included as an income subtraction at item **5** – label **A Income reconciliation adjustments**.
- Commonwealth and State government grants and payments that are tax-free.

For more information, see What to exclude from your business's assessable income.

Show at labels **E** and **F**, as appropriate, the total amount of assessable government industry assistance. Examples are:

- bounties
- employee subsidies
- export incentives grants
- fuel tax credits
- industry restructure and adjustment payments
- JobMaker hiring credits
- JobKeeper payments (COVID-19)
- Apprentices and Trainees wage subsidy
- product stewardship for oil program benefit
- excise refund scheme for alcohol manufacturers
- producer rebate (wine equalisation tax).

Print **D** in the **CODE** box if the amount at label **E** or **F** includes any fuel tax credit, producer rebate (wine equalisation tax), excise refund scheme for alcohol manufacturers or a product stewardship (oil) benefit.

Medical practices should show their Medicare payments at label **H Other business income**, not at label **F Assessable government industry payments**.

JobMaker hiring credit reporting

The accounting basis you use determines the way you report JobMaker hiring credit payments.

Accruals accounting basis

JobMaker hiring credit payments are derived when the entity provides the ATO with a valid claim form after each JobMaker period.

JobMaker hiring credit payments relating to valid claim forms made during 2023–24 are assessable in 2023–24.

Cash accounting basis

JobMaker hiring credit payments are derived when the entity receives those payments. Payments received during 2023–24 are assessable in 2023–24.

For more information, see:

- Taxation ruling TR 2006/3 *Income tax: government payments to industry to assist entities (including individuals) to continue, commence or cease business*
- Government grants, payments and stimulus during COVID-19.

Other business income

Show at labels **G** and **H**, as appropriate, other business income such as revenue from the sale of goods, services rendered, disposal of depreciating assets, work in progress amounts assessable under section 15–50 of the ITAA 1997, and royalties.

If the TOFA rules apply to the partnership, include other business income from financial arrangements subject to the TOFA rules at labels **G** or **H**.

For partnerships carrying on a business of primary production, where all the partners are eligible individuals, include as primary production income at label **G**:

- income from the disposal of eligible Australian Carbon Credit Units (ACCUs)
- income from eligible arrangements with carbon service providers.

Include all other income relating to ACCUs at label **H**. To check your eligibility, see Taxation of Australian carbon credit units for primary producers.

Don't include at label **G** or **H** amounts that are shown at labels **C**, **D**, **B**, **E** and **F**.

If the amount at label **G** or **H** is a loss, print **L** in the box at the right of the loss amount.

If you have included an amount for profit on the sale of depreciating assets at label **G** or **H**. See, Balancing adjustment amounts in Appendix 6.

Total business income

Show the total of all income items at labels **C**, **D**, **B**, **E**, **F**, **G** and **H**.

If item **5** – label **Total business income** is greater than zero, complete item **5 Expenses** – label **K Depreciation expenses** for any book depreciation expenses for assets used in deriving that income even if that amount is zero.

Expenses

This section deals with:

- Small business entity exceptions to item 5 Expenses
- Foreign resident withholding expenses
- Contractor, sub-contractor and commission expenses
- Superannuation expenses
- Cost of sales
- Bad debts
- Lease expenses
- Rent expenses
- Total interest expenses

- Total royalty expenses
- Depreciation expenses
- Motor vehicle expenses
- Repairs and maintenance
- Repairs
- All other expenses
- Total expenses

Small business entity exceptions to item 5 Expenses

Apart from 2 exceptions for small business entities mentioned below, the amounts shown at item **5** – labels **P** to **N** are amounts derived from the partnerships accounting system or financial statements. Make any adjustments to these amounts for tax purposes at item **5 Reconciliation items** – label **B Expense reconciliation adjustments**.

Small business entities using the:

- simplified trading stock rules should use tax values for their closing stock in calculating label **E Cost of sales**.
- simplified depreciation rules should use tax values for their label **K Depreciation expenses**.

If the partnership is registered or required to be registered for GST, exclude input tax credit entitlements on outgoings from deductions.

If any expenses have been prepaid, the prepayment provisions may affect the timing of the deduction that can be claimed. Generally, the partnership will need to apportion its deduction for prepaid business expenditure over the service period or 10 years, whichever is less. There are some exceptions to this under the 12-month rule for partnerships that are small business entities or would be small business entities if the aggregated turnover threshold was less than $50 million. If the amounts shown under any expense label at item **5** differ from the amount allowable as deductions in 2023–24, make a reconciliation adjustment at item **5** – label **B**.

For more information, see:

- Deductions for prepaid expenses 2024
- Information for primary producers 2024

Foreign resident withholding expenses

Show at label **P** all expenses directly relating to gaining the income shown at item **5** – label **B Gross payments subject to foreign resident withholding**. These amounts should not be shown at any other expenses label in item **5**. Don't include any expenses incurred in gaining income not assessable in Australia.

Don't include at this item expenses in relation to amounts subject to foreign resident capital gains withholding.

Only foreign residents should complete this entry. An Australian resident should not include expenses, such as expenses incurred in deriving foreign sourced income, at this entry.

You will not have any primary production amounts at this item.

Contractor, sub-contractor and commission expenses

Show at label **C** the expenditure incurred for labour and services provided under contract other than those in the nature of salaries and wages. For example:

- payments to self-employed people, such as consultants and contractors
- commissions paid to people not receiving a retainer
- agency fees – for example, advertising
- service fees – for example, plant service
- management fees
- consultant fees.

Don't include the following at label **C**:

- expenses for external labour which are incorporated into the amount shown at label **E Cost of sales**
- expenses for accounting or legal services – show these at label **N All other expenses**.

You must also keep records of these transactions, see Independent contractor and supplier records – business.

Superannuation expenses

Show at label **D** the employee superannuation expenses incurred for the income year.

Employers are entitled to a deduction for contributions made to a complying superannuation fund or retirement savings account (RSA).

You can claim a deduction in 2023–24 for contributions that were received by a superannuation fund in 2023–24. For more information on when the contributions are made, see Taxation ruling TR 2010/1 *Income tax: superannuation contributions*.

There is no limit on the amount of contributions that can be claimed as a deduction by an employer contributing to a complying superannuation fund or RSA in respect of employees under the age of 75 years. However, the employee may be liable to pay additional tax if their concessional contributions exceed their concessional contributions cap.

For more information, see Caps, limits and tax on super contributions.

If an employee has reached 75 years old, there is a restriction on the deduction that can be claimed for an employer contribution to a complying superannuation fund or RSA. For contributions made after the 28th day of the month following the employee's 75th birthday, the deduction claimable is limited to the greater of:

- 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.

Employers can claim a deduction for superannuation contributions made in respect of a former employee where:

- the contribution reduces an employer's charge percentage under the *Superannuation Guarantee (Administration) Act 1992*
- the contribution is a one-off payment in lieu of salary or wages that relate to the employee's period of service
- the contribution is made within the 4 months after the employee has ceased employment (there is no time limit for contributions to a defined benefit fund).

Contributions made to a non-complying fund:

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

Under the superannuation guarantee legislation, an employer needs to provide a minimum level of superannuation for employees by the quarterly due dates, or be liable for the superannuation guarantee charge (SGC). Where the SGC is incurred, an SGC statement needs to be lodged and the SGC is paid directly to us.

If you don't pay an employee's super on time, you are liable for the SGC, even if you make the payment later. The Commissioner has no discretion to remit any part of the SGC.

The SGC paid to us is not a superannuation contribution and is not tax deductible. For more information, see Missed and late super guarantee payments.

Contributions paid by an employer for employees to a non-complying superannuation fund are fringe benefits and may be subject to tax under the Fringe Benefits Tax Assessment Act 1986.

Cost of sales

Information on completing cost of sales for:

- Small business entities
- All other partnerships.

Small business entities

If the partnership is a small business entity using the simplified trading stock rules, it will need to know the value of its closing stock in order to calculate cost of sales.

Small business entities only need to account for changes in the value of their trading stock in limited circumstances. If the partnership does not need to account for the change in value of closing stock, its closing stock will equal its opening stock value. If the partnership does need to account for the change in value of closing stock, or chooses to do so, then for information on how to calculate the closing stock value, see item 41 Closing stock.

All other partnerships

Show at label **E** the total cost of anything produced, manufactured, acquired or purchased for manufacture, sale or exchange in deriving the gross proceeds or earnings of the business. This includes freight inwards and may include some external labour costs, if these

are recorded in the cost of sales account in the normal accounting procedure of the business.

If the cost of sales account is in credit at the end of the income year (that is, a negative expense), print **L** in the box at the right of the amount. Don't print brackets around the amount.

For more information on the circumstances in which packaging items held by a manufacturer, wholesaler or retailer are 'trading stock' as defined in section 70-10 of the ITAA 1997. For more information, see Taxation ruling TR 98/7 *Income tax: whether packaging items (ie, containers labels, etc) held by a manufacturer, wholesaler or retailer are trading stock*.

Bad debts

Show at label **F** the bad debts expense incurred for the income year.

Show recovery of bad debts at label **G** or **H** as appropriate at **Other business income**.

You can't claim a deduction for bad debts under subsection 25-35(1) of the ITAA 1997 unless the debt which is bad has previously been included in assessable income or it relates to money lent in the ordinary course of the business of lending of money by a partnership carrying on that business, or it represents a business loss or outgoing of a revenue nature.

Don't include accounting provisions for doubtful debts at label **F**. Show these under all other expenses at label **N**, then add them back at label **B Expense reconciliation adjustments**. To calculate the amount of the expense reconciliation adjustment, see Worksheet 1.

Before a bad debt can be claimed, it must be bad and not merely doubtful. The deduction depends upon the facts in each case and, where applicable, the action taken for recovery. For more information, see Taxation ruling TR 92/18 *Income tax: bad debts*.

You can claim a deduction for partial debt write-offs where only part of a debt is bad and is written off. You can claim a deduction for the amount written off.

Deductions for bad debts may be reduced by the commercial debt forgiveness provisions. See Appendix 4.

You can claim a deduction for losses incurred in debt and equity swaps for debt written off. You may be able to claim a deduction for a debt and equity swap by the partnership, if the provisions of sections 63E to 63F of the ITAA 1936 are satisfied. Under these provisions, a deduction may be allowable for the difference between the amount of the debt extinguished and the greater of the market value of the equity **or** the value at which the equity is recorded in the creditor's books at the time of issue. The market value of the equity is the price quoted on the stock exchange or, if the equity is not listed, the net asset backing of the equity.

If the TOFA rules apply to the partnership, include all the partnership's bad debts from financial arrangements subject to the TOFA rules at item **5** – label **F**.

Record keeping

If the partnership writes off bad debts during the income year, you must keep a statement for all debt in respect of which a write-off occurred. You are required to keep this statement for 5 years (longer in some cases). For each debt written off, the statement should show:

- the debtor's name and address
- the amount of the debt
- the reason why the debt is regarded as bad
- the year that the amount was reported as income.

For more information, see Overview of record-keeping rules for business.

Lease expenses

Show at label **G** the expenditure incurred through both finance and operating leases on leasing assets, such as motor vehicles, plant or other equipment.

Don't include the cost of leasing real estate – show this cost at label **H Rent expenses**.

If you include capital expenditure incurred to terminate a lease or licence, you will need to add back the amount at item **5 Reconciliation items** – label **B Expense reconciliation adjustments**. Although capital expenditure to terminate a lease or licence is not deductible in one year, a 5-year straight-line write-off may be allowable (see section 25–110 of the ITAA 1997) for certain capital expenditure 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 1.

Expenses incurred under a hire-purchase or instalment-sale agreement of goods are not lease expenses. Such expenses are referred to in Appendix 6.

In some circumstances, lease expenses may be debt deductions for the purposes of the thin capitalisation rules. For information on thin capitalisation, see Appendix 3.

In certain cases, an amount of tax (withholding tax) is withheld from amounts paid or payable under equipment leases to non-residents and overseas branches of residents, and must be remitted to us. This is also subject to the operation of any relevant tax treaty (also referred to as double tax agreement). If you have withheld amounts from payments to non-residents, you may need to lodge a PAYG withholding from interest, dividend and royalty payments paid to non-residents – annual report by 31 October 2024.

If an amount of lease expense is not allowable as a deduction, such as amounts disallowed under the thin capitalisation rules, or capital expenditure incurred to terminate a lease or licence, add back the amount at item **5 Reconciliation items** – label **B Expense reconciliation adjustments**.

Record keeping

If a deduction is claimed for the cost of leasing depreciating assets, you must keep a record of the following for 5 years:

- a description of the items leased
- full particulars of the lease expenses for each item, including motor vehicles, showing
  - to whom the payments were made
  - the terms of the payments including details of any prepayments or deferred payments

  - if any assignment, defeasance or re-direction to pay the payments was entered into, full particulars of the arrangement including to whom the payments were made
- details of use other than for producing assessable income
- any documentation on or relating to the lease of the items.

For more information, see Overview of record-keeping rules for business.

Rent expenses

Show at label **H** the expenditure incurred as a tenant for the rental or lease of land and buildings used in the production of income.

Total interest expenses

Show at label **I** the interest incurred on money borrowed within Australia and overseas that relates to producing Australian income and that is to acquire income-producing assets, to finance business operations or to meet current business expenses.

If the TOFA rules apply to the partnership, include all interest incurred on money borrowed within Australia and overseas to acquire income-producing assets, to finance business operations or to meet current business expenses from financial arrangements subject to the TOFA rules at label **I**.

Don't include interest expenses claimable against rental income. Show interest deductions relating to rental income at item **9** – label **G**.

An amount of tax (withholding tax) is generally withheld from interest paid or payable to non-residents and to overseas branches of residents. You must remit this to us. If you have withheld amounts from payments to non-residents, you may need to lodge a PAYG withholding from interest, dividend and royalty payments paid to non-residents – annual report by 31 October 2024.

If you are required to withhold an amount from interest paid or payable to non-residents and to overseas branches of residents, and either have not withheld or not remitted the amount to the ATO, you can't claim the interest deduction until the amount is paid to the ATO.

The thin capitalisation rules may apply to reduce interest deductions. These rules place a limit on the amount of interest and other loan costs that can be deducted for Australian tax purposes. For more information, see Appendix 3. Include the disallowed amount at label **B Expense reconciliation adjustments**.

You may not be able to claim interest in certain situations, for example, if it has been incurred for private or domestic purposes, or for vacant land.

Show the amount of interest not allowable at item **5 Reconciliation items** – label **B Expense reconciliation adjustments**.

Record keeping

If interest is paid to non-residents or to overseas branches of residents, you must keep a record of the:

- name and address of recipient
- amount of interest paid or credited

- amount of withholding tax withheld and the date on which it was remitted to us
- period in which the payments were made
- ABN or TFN (if known).

For more information, see Overview of record-keeping rules for business.

Total royalty expenses

Show at label **J** the royalty expenses for the income year. Include royalties paid to residents and non-residents.

An amount of withholding tax is generally withheld from royalties paid or payable to non-residents and to overseas branches of residents. You must remit this to us. If you have withheld amounts from payments to non-residents, you may need to lodge a PAYG withholding from interest, dividend and royalty payments paid to non-residents – annual report by 31 October 2024.

If you are required to withhold an amount from royalties paid or payable to non-residents and to overseas branches of residents, and either have not withheld or not remitted the amount to the ATO, you can't claim the royalty deduction until the amount is paid to the ATO.

For more information on completing royalty expenses in the tax return, see Appendix 2.

Record keeping

You must keep a record of the:

- name and address of recipients
- amounts paid or credited
- documents that identifies the nature of the benefit derived, for example, a signed copy of the royalty agreement
- details of tax withheld where applicable, and the date on which it was remitted to us.

For more information, see Overview of record-keeping rules for business.

Depreciation expenses

If the partnership is an eligible small business entity and has chosen to use the simplified depreciation rules, see Small business entities using the simplified depreciation rules.

Otherwise, go to General information for partnerships.

General information for partnerships

Show at label **K** the accounting or book depreciation expenses for depreciating assets other than for those assets allocated in a prior year to a general small business pool. For assets allocated to such a pool, include at this entry the amount of the pool deduction to be claimed for tax purposes.

The amount at label **K** does not include:

- profit on the sale of a depreciating asset – you show this at item **5 Income** – label **G** or **H Other business income**

- any loss on the sale of a depreciating asset – you show this at item **5 Expenses** – label **N All other expenses**.

The accounting or book depreciation may differ from the deduction for the decline in value of depreciating assets. Reconcile the deduction for the decline in value of depreciating assets with accounting depreciation at item **5 Reconciliation items** – label **B Expense reconciliation adjustments**.

For more information on deductions for the decline in value of depreciating assets, see Appendix 6.

You can also work out your decline in value by using the Depreciation and capital allowances tool.

Simplifying tax obligations for business

Law administration practice statement PS LA 2003/8 *Practical approaches to low-cost business expenses* provides guidance on 2 straightforward methods, which taxpayers carrying on a business can use to help determine whether expenditure they incur to acquire certain low-cost items is treated as revenue or capital.

Subject to certain qualifications, the 2 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 that is revenue expenditure.

A deduction for expenditure incurred on low-cost tangible assets you calculate in accordance with this practice statement will be accepted by us.

Small business entities using the simplified depreciation rules

If the partnership is an eligible small business entity show at label **K Depreciation expenses** the total depreciation deductions being claimed by the partnership under the simplified depreciation rules and the uniform capital allowances (UCA) rules. You must also complete:

- item **50** – label **A Deduction for certain assets** (costing less than the instant asset write-off threshold) for eligible assets where instant asset write-off applies
- item **50** – label **B Deduction for general small business pool** to record the total amount claimed relating to the general small business pool.

A small business entity choosing to use these simplified depreciation rules must use both the instant asset write-off and pooling where applicable. You can't choose to use one and not the other.

Special rules apply if the depreciating asset is a passenger vehicle.

Some depreciating assets are excluded from these simplified depreciation rules, but you may be able to claim a deduction under the UCA rules. Examples of assets excluded from the simplified depreciation rules are:

- horticultural plants (including grapevines) are deducted under special UCA provisions as specified in Appendix 6

- assets that are leased out, or will be leased out, by a small business entity for more than 50% of the time on a depreciating asset lease. You can generally claim a deduction under the UCA provisions.

Depreciation deductions are generally available only to the legal owner of the asset, that is, to the partnership. However, a partnership is not entitled to claim a deduction for the decline in value of a depreciating asset it leases out under a hire-purchase agreement as the hire-purchase is treated as a sale of the asset to the hirer.

For certain depreciating assets used by a small business entity in the course of carrying on a business of primary production, a taxpayer can choose whether to use these simplified depreciation provisions or specific UCA provisions. The specific UCA provisions are those applying to landcare operations, water facilities, fencing assets, fodder storage assets, electricity connections and phone lines. However, deductions for these assets are not claimed by the partnership (unlike partnership assets depreciated under the general depreciation rules) but are allocated to each partner who can then claim for their share of the expenditure. For more information on these specific UCA provisions, see Appendix 6.

As the small business entity depreciation rules apply only to depreciating assets, certain capital expenditure incurred by a small business entity which does not form part of the cost of a depreciating asset may be deducted under the UCA provisions. This includes capital expenditure on certain business-related costs and amounts directly connected with a project. Don't include these amounts at label **K**. Show the amount that you can claim as a deduction at item **5 Reconciliation items** – label **B Expense reconciliation adjustments**.

For more information on the:

- UCA provisions, see Appendix 6
- small business entity depreciation rules, see Simpler depreciation for small business.

Calculating depreciation deductions for small business entities

Use the calculations in Appendix 8 to calculate the depreciation deductions, if the partnership is an eligible small business entity and has chosen to use the simplified depreciation rules.

If the profit and loss statement of the partnership provides the amounts to complete Worksheet: Small businesses using simplified depreciation, write these amounts in the table. Otherwise, use calculations in Appendix 8 to work out the depreciation deductions. Where necessary, apportion the deductions included in Worksheet: Small businesses using simplified depreciation between primary production and non-primary production amounts.

You can also work out your decline in value by using the Depreciation and capital allowances tool.

The amounts you write in Worksheet: Small businesses using simplified depreciation must be tax values and not accounting values.

5-year restriction

The 5-year 'lock out' rule is suspended until 30 June 2024. This rule prevented small business entities from re-entering the simplified depreciation regime if they opted out.

If you are a small business entity that had previously chosen to use these simplified depreciation rules but in a later year chose to stop using this concession, you can again choose to use the simplified depreciation rules until 30 June 2024.

To notify us of your choice, lodge your tax return and keep relevant records for the required period of time. You are not required to lodge any other form to notify us of your choice.

Motor vehicle expenses

Show at label **L** motor vehicle running expenses only. These expenses include fuel, repairs, registration fees and insurance premiums.

They **don't** include expenses you show at labels:

- **G Lease expenses**
- **I Total interest expenses**
- **K Depreciation expenses**.

Special substantiation and calculation rules for car expenses apply to partnerships in which at least one partner is an individual.

Under these rules, you claim motor vehicle expenses using one of 2 methods where the expense is for a car. A car is a motor vehicle designed to carry a load less than one tonne and fewer than 9 passengers, such as a station wagon, panel van, utility truck or other road vehicle, excluding motorcycles or similar vehicles. For an explanation of the 2 methods, see question **D1** in Individual tax return instructions 2024.

Print **N** in the **CODE** box at label **L** if there is an amount at label **L** and this amount relates to a:

- motorcycle
- taxi taken on hire
- road vehicle designed to carry a load of one tonne or more, or 9 or more passengers
- car expense where none of the partners is an individual.

In all other cases, print in the **CODE** box the code from Table: Motor vehicle expense claim methods that determines the method used to claim motor vehicle expenses applicable to the partnership.

If the partnership has more than one vehicle and uses a different method to claim motor vehicle expenses for each vehicle, use the code applicable to the largest claim.

Table: Motor vehicle expense claim methods

Code	Method used
S	Cents per km
B	Logbook

Show any adjustment for tax purposes to the motor vehicle expenses you include in the profit and loss statement at item **5 Reconciliation items** – label **B Expense reconciliation adjustments**. To work out the amount of the expense reconciliation adjustment, see Worksheet 1

Repairs and maintenance

Show at label **M** the expenditure on repairs and maintenance of plant, machinery, implements and premises.

Write back any non-deductible expenditure, such as items of a capital nature or amounts relating to private use of an item at label **M**, at item **5 Reconciliation items** – label **B Expense reconciliation adjustments**. The following information will help you work out whether you should make an expense reconciliation adjustment.

Repairs

As long as it is not expenditure of a capital nature, you may deduct the cost of repairs to property (premises or part of premises, plant, machinery or equipment) used solely for producing assessable income. You can only deduct the percentage of the expenditure on repairs that relates to producing your assessable income. For example, if the property is also used for private purposes, or used in the production of exempt income, then the expenses are not deductible to the extent they relate to those activities.

If items are newly acquired, including items acquired by way of a legacy or gift, the cost of remedying defects in existence 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 as a repair.

You may be able to claim expenditure of a capital nature as capital works deductions. For more information on capital expenditure incurred to produce assessable income, see Appendix 5.

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

Record keeping

To support any claim for repairs, keep records showing full details of the nature and cost of repairs for each item.

For more information, see Overview of record-keeping rules for business.

All other expenses

Show at label **N** the total of all other business expenses for the income year which you have not included at labels **P** to **M** – for example, travel expenses.

The capital and other non-deductible amounts included at label **N** must also be included at item **5 Reconciliations items** – label **B Expense reconciliation adjustments**.

If you have included an amount for a loss on the sale of a depreciating asset at label **N**, see Appendix 6.

If the calculation of some deductions may be affected by the commercial debt forgiveness provisions, see Appendix 4.

Expenses that are costs associated with borrowing and servicing debt should only be included here if they relate to producing Australian income and have not been included at label **I**. These amounts may not be allowable under the thin capitalisation rules. For more information, see Appendix 3: Thin capitalisation. Include the non-deductible amount at item **5 Reconciliations items** – label **B Expense reconciliation adjustments**.

If what you show at label **N** includes an amount which is brought to account under the TOFA rules, also complete item **31 Taxation of financial arrangements (TOFA)**.

If the partnership carries on a business of primary production and all the partners are eligible individuals, deductions related to becoming the holder of, holding and disposing of eligible Australian Carbon Credit Units (ACCUs) held in the name of all the partners, or held on behalf the partnership by one or more of the partners, and income from eligible arrangements with carbon service providers, should be included at label **N** in the primary production column. All other deductions related to ACCUs should be included in the non-primary production column.

Total expenses

Show at label **O** the total of all expense items shown at labels **P** to **N**.

If there is a negative amount at label **E Cost of sales** which exceeds the sum of expenses shown at labels **P** to **D** and labels **F** to **N**, print **L** in the box at the right of label **O**.

Reconciliation items and net income or loss – item 5

Instructions to complete item 5 business reconciliation items and adjustments and the net income or loss from business.

In this section

Reconciliation items
Former STS taxpayers
Net income or loss from business
Net small business income

Reconciliation items

The reconciliation adjustments reconcile accounting profit or loss as shown in the profit or loss account (the accounts) with the net income or loss for income tax purposes.

Work out the reconciliation adjustments if the partnership has either:

- included any amount such as exempt income or non-deductible expenses in the accounts
- not included amounts which are assessable income or expenditure that is deductible.

Income reconciliation adjustments

Show at label **A** the net income-related reconciliation adjustments. The amount included here is the net amount of:

- any add backs that increase the net adjustment
- any subtractions that reduce it.

Income add backs are amounts not shown in the accounts, but which are assessable income, including timing adjustments. These items **increase** the total at label **A**. Examples include:

- any excess of the tax value of closing stock over the tax value of opening stock (other than small business entities using the simplified trading stock rules), see 39 Opening stock and 41 Closing stock
- assessable balancing adjustment amounts on depreciating assets, see Appendix 6
- limited recourse debt amounts, see Appendix 6
- other assessable income not included in the accounts; former STS taxpayers, see Former STS taxpayers.

Income subtractions are income shown in the accounts, but which are not assessable income, including timing adjustments. These items **reduce** the total shown at label **A**. Examples include:

- exempt income, including income exempt from Australian tax under a tax treaty (also referred to as double tax agreement)
- profit on the sale of a depreciating asset, see Appendix 6

- personal services income included in the assessable income of an individual (attributed amount), see 30 Personal services income
- other income shown in the accounts which is not assessable for income tax purposes; former STS taxpayers, see Former STS taxpayers
- cash flow boost payments if they have been included in other business income.

To calculate the net amount of the income reconciliation adjustments, see Worksheet 1.

If the **income subtractions** exceed the **income add backs**, the total is a negative amount. Print **L** in the box at the right of the amount at label **A**.

Expense reconciliation adjustments

Show at label **B** the net expense-related reconciliation adjustments. The amount included here is the net amount of:

- any add backs that increase the net adjustment
- any subtractions that reduce it.

Expense add backs are expenses shown in the accounts which are either not tax deductible or are only partly tax deductible, including timing adjustments. These items **increase** the total you show at label **B**. Examples include:

- additions to provisions and reserves
- capital expenditure
- certain expenses relating to personal services income that are not deductible, see 30 Personal services income
- debt deductions denied by the thin capitalisation provisions, see Appendix 3
- deductions for vacant land
- depreciation expenses
- expenses relating to exempt income, including expenses relating to DTA exempt income
- hire-purchase payments, see Appendix 6
- income tax expense
- loss on the sale of a depreciating asset, see Appendix 6
- luxury car lease payments, see Appendix 6
- part of prepaid expenses not deductible this year, see Prepaid expenses
- penalties and fines
- amounts of capital expenditure incurred to terminate a lease or licence which were included as lease expenses
- other non-deductible expenses former STS taxpayers, see Former STS taxpayers.

Depreciation expenses: Add back amounts of depreciation expenses only if the partnership is not a small business entity using the simplified depreciation rules. However, exclude any small business pool deductions shown at label **K Depreciation expenses**.

Expense subtractions are amounts not shown as expenses in the accounts, but which are tax deductible, including timing adjustments. These items **reduce** the total amount shown at label **B**. Examples include:

- any excess of the tax value of opening stock over the tax value of closing stock, see Trading stock on hand
- any expenditure incurred under Subdivision 40-J of the ITAA 1997 to establish trees in carbon sink forests
- deductible balancing adjustment amounts on depreciating assets, see Appendix 6
- deduction for decline in value of depreciating assets (other than partnerships using the small business entity depreciation rules), see Appendix 6
- deduction for environmental protection expenses, see Appendix 6
- deduction for project pool, see Appendix 6
- hire-purchase agreements, interest component, see Appendix 6
- luxury car leases, accrual amount, see Appendix 6
- part of prepaid expenses deductible this year, but not shown in accounts, see Prepaid expenses
- section 40–880 deductions, see Appendix 6
- TOFA rules deduction not shown in accounts
- that part of the capital expenditure incurred to terminate a lease or licence which is allowed as a tax deduction
- bonus deduction for small business skills and training boost, see Appendix 16
- bonus deduction for small business energy incentive, see Appendix 16
- other deductible items, former STS taxpayers, see below.

For information on which new depreciation measure applies to an asset, see Interaction of tax depreciation measures.

If the **expense subtractions** exceed the **expense add backs**, the total is a negative amount. Print **L** in the box at the right of the amount at label **B**.

To calculate the net amount of the expense reconciliation adjustments, see Worksheet 1

Former STS taxpayers

If you are eligible and are continuing to use the STS accounting method, you may need to make additional adjustments; see Continued use of the STS accounting method and Appendix 14.

You will need to make adjustments at item **5 Reconciliation items** if:

- the partnership is using the STS accounting method, and the amounts shown at item **5** are not based on the STS accounting method, or
- the partnership stops using the STS accounting method.

These adjustments are explained in more detail below. Use Appendix 14 and Worksheet 1 to help with the calculations.

Trade debtors and creditors on 30 June 2024

If the partnership is eligible, has chosen to continue using the STS accounting method and has included at item **5** amounts of ordinary income that have been derived but not received in 2023–24, the amounts not received are not assessable, for example, trade debtors on 30 June 2024.

Show these amounts as income subtractions at label **A Income reconciliation adjustments**.

If the partnership is eligible, has chosen to continue using the STS accounting method and has included at item **5** amounts of general deductions, repairs or tax-related expenses that have been incurred but not paid in 2023–24, then the amounts not paid are not deductible – for example, trade creditors on 30 June 2024.

Show these amounts as expense add backs at item **5 Reconciliation items** label **B Expense reconciliation adjustments**.

Adjustments when ceasing to use the STS accounting method

If the partnership has discontinued using the STS accounting method and changed to an accruals accounting method this year, read below.

If the partnership has previously not included at any income label at item **5** amounts of ordinary income that were derived but not received while using the STS accounting method, these amounts are assessable in 2023–24 – for example, trade debtors on 30 June 2023.

Show these amounts as income add backs at item **5 Reconciliation items** – label **A Income reconciliation adjustments**.

If the partnership has previously not included at any expense labels at item **5** 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 in 2023–24 – for example, trade creditors on 30 June 2023.

Show these amounts as expense subtractions at item **5 Reconciliation items** – label **B Expense reconciliation adjustments** unless they are tax-related expenses. Include the deduction for tax-related expenses at item **18**.

Ceasing to hold depreciating assets

If the partnership has ceased to hold any depreciating assets during the income year, the following amounts (if any) are income add backs at item **5 Reconciliation items** – label **A Income reconciliation adjustments**:

- the taxable purpose proportion of the termination value of certain assets which the partnership has ceased to hold, for which an immediate deduction has been claimed
- if the closing pool balance of the general small business pool is less than zero, the amount below zero
- assessable balancing adjustment amounts on the disposal of, or on otherwise ceasing to hold, depreciating assets not subject to the small business entity depreciation rules.

Show any deductible balancing adjustment amounts on ceasing to hold depreciating assets not subject to the small business entity depreciation rules as expense subtractions at item **5 Reconciliation items** – label **B Expense reconciliation adjustments**.

Prepaid expenses (immediate deduction)

Small business entities, and entities that would be small business entities if the aggregated annual turnover threshold was less than $50 million, are entitled to an immediate deduction for prepaid expenses if:

- the expenditure is incurred for a period of service not exceeding 12 months, and
- the eligible service period ends on or before the last day of the next year of income.

If the eligible service period is more than 12 months, or ends after 2024–25, you must apportion the deduction for the expenditure over the eligible service period or 10 years, whichever is less.

The eligible service period is broadly the period over which you will receive the goods or services.

For more information, see Deductions for prepaid expenses 2024. If expense items include prepaid expenses that differ from the amounts allowable as deductions in 2023–24, make the reconciliation adjustment at item **5 Reconciliation items** – label **B Expense reconciliation adjustments**.

Prepaid expenses (apportionment)

The partnership's total deduction for prepaid expenses in 2023–24 may comprise **2** components:

- the part of prepaid expenses incurred in 2023–24 which relates to 2023–24, and
- that part of the 2022–23 or earlier income year's expenses not deductible in that income year, but which is deductible in 2023–24 under the prepayment rules.

For more information, see Deductions for prepaid expenses 2024.

If expense items include prepaid expenses which differ from the amounts allowable as deductions in 2023–24, make the reconciliation adjustment at item **5 Reconciliation items** – label **B Expense reconciliation adjustments**.

Trading stock on hand (other than small business entities using the simplified trading stock rules)

Reconciliation adjustments will be required where the tax values of trading stock on hand have not been used in calculating the amount shown at item **5 Expenses** – label **E Cost of sales**. Any excess of the tax value of closing stock over the tax value of opening stock would be an income add back. Any excess of the tax value of opening stock over the tax value of closing stock would be an expense subtraction. If you have used accounting values for trading stock on hand in calculating the amount shown at label **E Cost of sales**, you will need to take further reconciliation adjustments from those amounts.

For more information on the tax value of trading stock, see 39 Opening stock and 41 Closing stock.

Net income or loss from business

The net income or loss from business is total business income **minus** total expenses incurred in producing that income, adjusted by any reconciliation items.

Show the net income or loss from business at label:

- **Q** for primary production
- **R** for non-primary production.

If the amount at label **Q** or **R** is a loss, print **L** in the box at the right of the amount.

Show at label **S**:

- Total business income, **minus**
- label **O Total expenses**
  - **plus** label **A Income reconciliation adjustments** and label **B Expense reconciliation adjustments** amounts which are positive, and
  - **minus** label **A Income reconciliation adjustments** and label **B Expense reconciliation adjustments** amounts which are negative.

If the amount at label **S** is an overall loss, print **L** in the box at the right of the amount.

If the partnership made a loss on a business activity, the non-commercial loss rules may affect an individual partner's share of a business loss; see Appendix 7.

Net small business income

Is the partnership a small business entity?

- **No** – Go to item 6.
- **Yes** – Read on.

The partnership needs to work out its net small business income. Partners, who are individuals, need to know their share of net small business income so that they can claim the small business income tax offset in their own tax return if eligible.

An individual is only entitled to the offset in respect of a share of net small business income received from a small business entity partnership in which they are a partner, where the business income was derived by that partnership from carrying on its own business activities.

Partners who are prescribed persons (under 18 years old and not excepted persons) are entitled to the offset on their share provided they are actively carrying on the partnership business.

The net small business income is the partnership's assessable income from carrying on a small business, less deductions to the extent that they are attributable to that assessable income. If the partnership carries on multiple businesses, then combine all the partnership's assessable income and attributable deductions relating to those businesses to work out the net small business income.

If the partnership made a loss on a business activity, the non-commercial loss rules may affect an individual partner's share of net small business income; see Appendix 7.

To work out net small business income, don't include:

- any personal services income not produced from conducting a personal services business

- any of the following deductions
  - tax-related expenses
  - gifts or contributions.

Completing this item

Step 1: Did the partnership have business income or deductions shown at items other than item **5** – label **S**?

- **No** – The amount at item **5** – label **S** is the partnership's net small business income. Show this amount at item **5** – label **V**. You have finished this item. Go to item 6.
- **Yes** – Go to step 2.

Step 2: If the partnership had any of the following, use Worksheet 1A to work out the net small business income:

- foreign source business income at item **23**
- attributed foreign business income at item **22**
- interest income earned in the course of carrying on the business shown at item **11**
- dividend income earned in the course of carrying on the business shown at item **12**, for example dividends earned in the course of carrying on a share trading business
- any business income not already shown at this item
- any business deductions not already shown at this item, for example debt deductions against foreign source business income claimed at item **18**.

Show the net small business income at item **5** – label **V**. Don't show cents.

Income excluding foreign income – items 6 to 9

Instructions to complete items 6 to 9 in the tax return relating to income excluding foreign income.

In this section

6 Tax withheld

8 Partnerships and trusts

9 Rent

6 Tax withheld

Instructions to complete item 6 in the partnership tax return relating to tax withheld.

In this section

Tax withheld where ABN not quoted

Credit for tax withheld – foreign resident withholding

Tax withheld where ABN not quoted

Show at label **T** the total of amounts withheld from income subject to withholding where an ABN was not quoted. This amount equals the sum of the amounts shown in the tax withheld boxes on the *Non-individual PAYG payment summary schedule 2024*.

For instructions on completing the schedule, see Completing the Non-individual PAYG payment summary schedule.

Don't include any share of amounts withheld that is a distribution from another partnership or trust where an ABN was not quoted. Show this at item **8** – label **C**.

If you show an amount of tax withheld at item **6** – label **T**, then declare the corresponding gross income at item **5** – label **C** and label **D Gross payments where ABN not quoted**, as appropriate.

Credit for tax withheld – foreign resident withholding

Only foreign residents complete this item. An Australian resident does not claim a foreign income tax offset at this item.

Complete this item only if the amount was withheld in Australia and remitted to us.

Show at label **U** the total amount of tax withheld from payments subject to foreign resident withholding. Don't include any share of foreign resident withholding credits distributed to the partnership from other partnerships or trusts, show this at item **8** – label **U**.

If you claim a credit at label **U** for tax withheld under foreign resident withholding, you must show the corresponding gross payments subject to foreign resident withholding at item **5** – label **B**.

Don't show at this item any credits in relation to the foreign capital gains withholding.

8 Partnerships and trusts

Instructions to complete item 8 partnership's share of income and distributions from other trusts and partnerships.

In this section

About partnership and trust distributions
Primary production
Non-primary production
Share of credits from income

About partnership and trust distributions

The partnership's income from another partnership includes any income or a loss that the partnership received, was entitled to receive, or was entitled to deduct in respect of that other partnership.

The partnership's income from a trust includes the partnership's share of the net income (for tax purposes) of the trust, which generally corresponds to the percentage share of the trust's distributable income that the partnership received or was entitled to receive as a beneficiary under a will, settlement, and deed of gift or other instrument of trust.

If you report a distribution from a trust at item **8**, complete a Trust income schedule 2024 and attach it to the partnership tax return.

Distributions from another partnership or a share of the net income of a trust include the share of any:

- TFN amounts withheld from interest, dividends and unit trust distributions
- franking credits attached to franked dividends received indirectly from an Australian franking company
- amounts withheld where an ABN was not quoted
- TFN amounts withheld from payments by the trustee of a closely held trust because a TFN was not provided.

Copy the details from any statements of distribution or advice received from the other partnerships and trusts to Worksheet 2. This is the partnership's record if we need more details later.

If the partnership or trust statement of distribution or advice includes an amount described as dividends or franking credits from a New Zealand franking company, don't include these at item **8**. Show these amounts at item **23 Other assessable foreign source income**.

Don't include any payments and loans received from trustees or amounts that are debts forgiven by trustees that are treated as dividends under Division 7A of Part III of the ITAA 1936. Show these amounts at item **12** label **K** if they are unfranked.

Certain amounts treated as dividends can be franked. If the amounts are franked, show them at item **12** label **L**, see unfranked amount and franked amount

If a partnership or trust statement of distribution or advice includes amounts described as foreign income or capital gains, don't include these at item **8**.

Show foreign income at:

- item **22 Attributed foreign income**
- item **23 Other assessable foreign source income**.

A partnership does not own assets for capital gains tax (CGT) purposes. A partnership's assets are owned by the partners in the proportion to which they have agreed.

Any capital gain or capital loss is made by the partners individually, such as if:

- a CGT event happened for the partnership in 2023–24 (or a CGT event happened in relation to a CGT asset of the partnership), or
- the partnership received a share of a capital gain from a trust.

Each partner must work out their capital gain or capital loss by referring to the partnership agreement, or to partnership law if there is no agreement, and include it on their own tax return. For more information on how a partner works out their share of a capital gain or capital loss, see Guide to capital gains tax 2024.

To the extent that family trust distribution tax (FTDT) has been paid on income or capital of a trust to which the partnership is presently entitled or which has been distributed to the partnership, that income or capital is excluded from the assessable income of the partnership under section 271-105 of Schedule 2F to the ITAA 1936.

For more information on the circumstances in which FTDT is payable, see Family trust distribution tax.

If trustee beneficiary non-disclosure tax (TBNT) has been paid in respect of an amount that would otherwise be assessable to the partnership, that amount is excluded from the assessable income of the partnership.

Any losses or outgoings incurred in deriving an amount that is excluded from assessable income because FTDT or TBNT has been paid are not deductible.

The partnership can't claim a tax offset for any franking credits attributable to the whole or a part of a dividend that is excluded from assessable income.

Taxation of financial arrangements (TOFA)

If the TOFA rules apply to the partnership, include at item **8 Partnerships and trusts** the partnership's share of all the partnership's primary production and non-primary production amounts, or deductions relating to such amounts. This includes amounts from financial arrangements subject to the TOFA rules.

If what you show at item **8** includes an amount which is brought to account under the TOFA rules, also complete item **31 Taxation of financial arrangements (TOFA)**.

Primary production

Show at this section:

- Distribution from partnerships
- Share of net income from trusts
- Deductions relating to amounts shown at A and Z
- Net primary production amount

Distribution from partnerships

Show at label **A** the amount of primary production income or loss distribution from other partnerships.

If this amount is a loss, print **L** in the box at the right of the amount.

Share of net income from trusts

Show at label **Z** the partnership's share of primary production income that has been included in the net income (for tax purposes) of a trust. Include primary production income of a trust that the partnership became presently entitled to in the income year, whether or not it has been received. The statement of distribution or advice from the trust should separately show this amount. If the partnership's share of primary production income included in the net income of the trust is zero because the trust has made a loss from its primary production activities, print **L** in the box at the right of the amount. Only show a loss at label **Z** if it is a component of an overall distribution of net income from the same trust.

If this amount is not a loss, in the box at label **Z** print the code from Table: Trust codes that best describes the type of trust from which the distribution is made. If this amount is from more than one type of trust, print the code that represents the trust with the greatest amount of distribution.

Table: Trust codes

Code	Type
M	Cash management unit trust
D	Deceased estate
E	Testamentary trust
S	Discretionary trust, where the main source of income of the trust is from service and management activities
T	Discretionary trust, where the main source of income of the trust is from trading activities
I	Discretionary trust, where the main source of income of the trust is from investment activities
H	Hybrid trust

Code	Type
P	Public unit trust (listed), other than a cash management unit trust
Q	Public unit trust (unlisted), other than a cash management unit trust
U	Fixed unit trust (including a corporate collective investment vehicle (CCIV) sub-fund trust), other than a public unit trust described in **P** or **Q**
F	Fixed trust, other than a fixed unit trust or public unit trust described in **P**, **Q** or **U**

Deductions relating to amounts shown at A and Z

Show at label **S** the partnership's deductions for its own expenses relating to primary production distributions from other partnerships or its share of net income from trusts.

Also show at label **S** the partnership's deductions for expenses it incurred in deriving its share of primary production income, which has been included in the net income (for tax purposes) of a trust. Note that expenses incurred on behalf of the trust are not to be deducted by the partnership.

If the partnership has prepaid any expenses, the amount it can claim at label **S** may be affected by the prepayment provisions. For more information, see Deductions for prepaid expenses 2024.

Expenses listed here that are costs associated with borrowing and servicing debt may not be allowable deductions under the thin capitalisation rules. For more information, see Appendix 3. The disallowed amount reduces the amount that would otherwise be included at label **S**.

Net primary production amount

Show at this entry the net result of adding partnership distributions of primary production income and the partnership's share of primary production income that has been included in the net income (for tax purposes) of a trust minus allowable deductions related to that income.

Write the total amount in the box at label **Net primary production amount**. If this amount is a loss, print **L** in the box at the right of the amount.

Non-primary production

Show at this section:

- Distribution from partnerships, less foreign income
- Share of net income from trusts, less capital gains, foreign income and franked distributions
- Deductions relating to amounts shown at B and R
- Franked distributions from trusts
- Deductions relating to franked distributions from trusts in label F
- Net non-primary production amount

Distribution from partnerships, less foreign income

Show at label **B** the amount of non-primary production income or loss distributions from other partnerships. Include any share of credit for tax withheld in Australia due to foreign resident withholding that is attached to the distribution. Also include the share of credit at item **8** – label **U**.

If the amount at label **B** is a loss, print **L** in the box at the right of the amount.

If the distribution includes franked dividends from a franking entity, check the statement of distribution or advice detailing the distribution to ensure that the amounts to be included at this entry represent both the partnership's share of the franked dividend and its share of the franking credit attached to the franked dividend. The franking credit is included at item **8** – label **D**.

Don't show at label **B** any dividends or franking credits indirectly received that are attributable to distributions from a New Zealand franking company. If the partnership received dividends or franking credits indirectly from a New Zealand franking company, see 23 Other assessable foreign source income.

If the partnership received a distribution from another partnership, and that other partnership claimed a deduction for a listed investment company (LIC) capital gain amount, then the partnership must add back its share of the deduction claimed by the other partnership at item **14 Other Australian income**.

Share of net income from trusts, less capital gains, foreign income and franked distributions

Show at label **R** the partnership's share of non-primary production income that was included in the net income (for tax purposes) of trusts. The statement of distribution or advice from the trusts should separately show this amount. Include any share of credit for tax withheld in Australia due to foreign resident withholding that is attached to the distribution. Also include the share of credit for tax withheld from foreign resident withholding at item **8** – label **U**.

The partnership's share of franked distributions from trusts and its share of the franking credits referable to those franked distributions (the franking credit 'gross-up') should be included at item **8** – label **F**. The franking credit should be included at item **8** – label **D**; see Franked distributions from trusts for more instructions. However, these amounts are still relevant to working out whether the overall share of net income (for tax purposes) from non-primary production activities is a positive amount.

Don't show the partnership's share of any non-primary production income included in the net income of a trust that includes any dividends or franking credits indirectly received which were attributable to distributions from a New Zealand franking company at this entry. Instead, see 23 Other assessable foreign source income.

In working out the partnership's share of non-primary production income that was included in the net income (for tax purposes) of a trust, amounts to which the partnership became presently entitled in the income year but has not yet received should also be taken into account.

Although for tax purposes a trust can't distribute a loss, in certain circumstances a trust may have made a loss in relation to its non-primary production activities and yet still have a positive amount of net income because its share of primary production income included in

the net income for tax purposes is positive. In these circumstances, for the purposes of certain provisions relating to primary producers, it may be necessary to identify where the partnership's share of net income from a trust related to non-primary production activities is a loss and record this at label **R**.

If the partnership's share of non-primary production income which was included in the net income (for tax purposes) of a trust is a loss, print **L** in the box at the right of the amount. Only show a loss at label **R** if the amount is a component of an overall distribution of net income from the same trust. The loss at label **R** should be reduced by amounts at labels **F** and **G** relating to franked distributions from trusts.

If this amount is not a loss, in the box at the right of label **R** print the code from Table: Trust codes that best describes the type of trust from which the distribution is made. If this amount is from more than one type of trust, print the code that represents the trust with the greatest amount of distribution.

If the partnership received or was entitled to receive income from a trust, and that trust claimed a deduction for a listed investment company (LIC) capital gain amount, then the partnership must add back its share of the deduction allowed to the trust at item **14 Other Australian income**.

Deductions relating to amounts shown at B and R

Show at label **T** the partnership's deductions for its own expenses relating to non-primary production distributions from other partnerships or its share of net income from trusts, except those deductions which are directly related to the earning of franked distributions from trusts which are shown at label **G**. Also show at label **T** the partnership's own expenses incurred in deriving its share of non-primary production income which has been included in the net income (for tax purposes) of a trust. Note that expenses incurred on behalf of a trust are not able to be deducted by the trust.

If any expenses have been prepaid, the amount that you can claim at label **T** may be affected by the prepayment provisions. For more information, see Deductions for prepaid expenses 2024.

Expenses listed here (and where relevant at label **G** relating to franked distributions from trusts) that are costs associated with borrowing and servicing debt may not be allowable deductions under the thin capitalisation rules. For more information, see Appendix 3. The disallowed amount reduces the amount that would otherwise go at label **T**.

If family trust distribution tax (FTDT) has been paid on the income or capital of another partnership or trust that the partnership is entitled to or which has been distributed to the partnership, an amount is excluded from the partnership's assessable income under section 271-105 of Schedule 2F of the ITAA 1936. Don't show this at labels **A**, **Z**, **B**, **R** or **F**. You can't claim a deduction for any losses or outgoings incurred in deriving an amount which is excluded from assessable income at label **S**, **T** or **G**. For more information on the circumstances in which FTDT is payable, see Family trust distribution tax.

If trustee beneficiary non-disclosure tax (TBNT) has been paid in respect of an amount that would otherwise be assessable to the partnership, that amount is excluded from the assessable income of the partnership. Don't show that income at label **A**, **Z**, **B**, **R** or **F**. You can't claim a deduction for any losses or outgoings incurred in deriving an amount which is excluded from assessable income at label **S**, **T** or **G**.

Franked distributions from trusts

If the partnership's share of the non-primary production income included in the net income of a trust includes an amount described as franked dividends, franked distributions or attributable franked distributions, check the statement of distribution or advice detailing the distribution to ensure that the amounts to be included at this entry represent both the partnership's share of the franked distribution and its share of the franking credit attached to the franked distribution (the franking credit 'gross-up').

Show at label **F** the partnership's share of the franked distribution (described as franked dividends, franked distributions or attributable franked distributions) plus its share of the franking credit attached to the franked distribution. The franking credit is also included at item **8** – label **D**.

Don't show any share of a trust's non-primary production income included in the net income of that trust that includes any dividends or franking credits indirectly received which were attributable to distributions from a New Zealand franking company at this entry; instead, see 23 Other assessable foreign source income.

Deductions relating to franked distributions from trusts in label F

Show at label **G** the partnership's deductions for its own expenses incurred in deriving its share of the franked distributions from trusts at label **F**.

Net non-primary production amount

Show at this entry the net result of adding the partnership distributions of non-primary production income and the partnership's share of non-primary production income included in a trust's net income (for tax purposes), minus deductions related to that income, plus the net amount of the franked distributions from trusts, minus the deductions relating to the franked distributions from trusts.

Write the total amount in the box at label **Net non-primary production amount**. If this amount is a loss, print **L** in the box at the right of the amount.

Share of credits from income

Show as this section:

- Share of credit for tax withheld where ABN not quoted
- Share of franking credits from franked distributions
- Share of credit for TFN amounts withheld from interest, dividends and unit trust distributions
- Share of credit for TFN amounts withheld from payments from closely held trusts
- Share of credit for tax withheld – foreign resident withholding (excluding capital gains)

Share of credit for tax withheld where ABN not quoted

If the income shown at label **A**, **Z**, **B**, **R** or **F** includes any share of amounts that have had tax withheld where an ABN was not quoted, show any share of credit for the tax withheld at label **C**. The trust or partnership statement or distribution or advice should separately disclose this amount.

Share of franking credits from franked distributions

Show at label **D** the partnership's share of any franking credits from a franking entity received through another partnership or trust.

Show franking credits received directly from a paying franking entity at item **12** – label **M**.

Don't show franking credits relating to a dividend received through another partnership or trust if **any** of the following apply:

- They were attributable to a distribution from a New Zealand franking company. If the partnership received franking credits indirectly from a New Zealand franking company, see 23 Other assessable foreign source income.
- The holding period rule and related payments rule were not satisfied for the dividend, or the dividend washing integrity rule applies; for more information, see Appendix 1.
- Family trust distribution tax (FTDT) has been paid on the dividend paid or credited by a company which has made an interposed entity election. The dividend is excluded from assessable income under section 271-105 of Schedule 2F to the ITAA 1936. A franking credit or tax offset can't be claimed for any franking credit attached to that dividend. For more information on when FTDT is payable, see Family trust distribution tax.
- Trustee beneficiary non-disclosure tax (TBNT) has been paid in respect of the dividend. A franking credit or tax offset can't be claimed for any franking credit attached to that dividend.

Share of credit for TFN amounts withheld from interest, dividends and unit trust distributions

Unless an entity claimed an exemption or quoted a TFN, an investment body may withhold amounts from interest, dividends or income of a unit trust to which a beneficiary is presently entitled. These are **TFN amounts withheld**, the current rate is 47% of the payment made.

Show at label **E** the partnership's share of any credit for TFN amounts withheld from amounts of interest, dividends and income of unit trusts to which a beneficiary is presently entitled, that are received from other partnerships or trusts. Credits for TFN amounts withheld are allowed in the assessments of the partners.

Share of credit for TFN amounts withheld from payments from closely held trusts

Where a beneficiary of a closely held trust does not provide their TFN to the trustee, the trustee may be required to withhold from payments or distributions.

Show at label **O** the amounts withheld from payments where a TFN has not been provided to the trustee of a closely held trust.

If amounts have been withheld from distributions to the partnership under these rules, the partnership is required to receive an annual payment summary in the approved form from the trustee.

Share of credit for tax withheld – foreign resident withholding (excluding capital gains)

Amounts may be withheld in Australia from some payments made to certain partnerships or trusts due to the operation of the foreign resident withholding rules. These payments relate

to entertainment or sports activities, construction and related activities, and casino gaming junket activities.

Show at label **U** the partnership's share of any foreign resident withholding credits received from other partnerships and trusts. Ensure this amount is included in the gross distribution amount shown at item **8 Non-primary production** – label **B** or label **R**.

Don't include at this item any credits in relation to foreign resident capital gains withholding.

9 Rent

Instructions to complete item 9 in the partnership tax return relating to income and deductions for rental property.

In this section

About rental income

Gross rent

Interest deductions

Capital works deductions

Other rental deductions

Net rent

About rental income

If your partnership is carrying on a business and receiving rental income from that business, you are required to complete this item.

To determine whether you are carrying on a business, see Taxation ruling TR 97/11 *Income tax: am I carrying on a business of primary production?*

Show your share of the rental income or deductions at item **21 Rent** in your Supplementary tax return for individuals 2024, if the only income you derived jointly (or in common) with another person was:

- rent from a jointly owned property
- interest from a jointly held account
- dividends from jointly held shares.

Income tests require each partner to report their share of the partnership's rental property income or loss. If the rental income is merely investment income and not partnership business income, this should be reported in your individual income tax return at item **21** for rental income or losses.

If your rental income is partnership business income, you are required to complete item **9**, and show:

- your net rental property income or loss at item **53** – label **H**
- your share of net rental property income or loss at item **54** – label **K**.

For more information, see item 53 Income tests.

Former STS taxpayers still using the STS accounting method

If the partnership is eligible and has chosen to continue using the STS accounting method, base the gross rent at label **F**, interest deductions at label **G**, and general deductions and repairs included at label **H** on the STS accounting method.

For more information, see Continued use of the STS accounting method.

Small business entities

Depreciating assets used in rental properties are generally excluded from the small business entity depreciation rules on the basis the assets are part of property that is subject to a depreciating asset lease.

For more information, see Assets and exclusions.

Gross rent

Show at label **F** the gross amount of rental income. This item can't be a loss.

Rental income includes booking or letting fees, bond monies if the partnership becomes entitled to retain them, any insurance payouts that compensate for lost or forgone rent, and reimbursements from tenants of deductible expenses incurred.

If the partnership is registered for GST, and GST is payable for rental income, exclude the GST from gross rent at label **F**.

Show rent from foreign sources at item 23 Other assessable foreign source income.

Lease premium received from a CGT event

A capital gain or a capital loss made from the receipt of a lease premium is shown on each partner's own tax return.

For more information on CGT events involving leases, see Guide to capital gains tax 2024.

Interest deductions

Interest is generally deductible when paid for borrowed monies used to finance a property investment.

However, the thin capitalisation rules may apply to reduce interest deductions. These rules place a limit on the amount of interest and other borrowing costs that can be deducted for Australian tax purposes; for more information, see Appendix 3. The disallowed amount reduces the amount that would otherwise be included at label **G**.

If the TOFA rules apply to the partnership, include all interest expenses incurred on monies borrowed to finance a property from financial arrangements subject to the TOFA rules at label **G**.

Show at label **G** the total deductible amount of interest expense incurred in earning the rental income.

Capital works deductions

Show at label **X** the total capital works deductions amount for rental buildings and structural improvements, such as fences, retaining walls and sealed driveways. For information on capital works deductions, see Appendix 5. You can also work out your capital works deductions by using the Depreciation and capital allowances tool.

Other rental deductions

Show at label **H** the total of other deductible expenses incurred in earning rental income.

If the partnership is registered for GST, and GST is payable for rental income, exclude any input tax credit entitlements that arise for expenses from the amount shown at label **H**.

Expenses listed here that are costs associated with borrowing and servicing debt may not be allowable deductions under the thin capitalisation rules. For more information, see Appendix 3. The disallowed amount reduces the amount that would otherwise be shown at label **H**.

Deductions for the decline in value of depreciating assets used to earn rental income are generally shown at label **H**. However, if the partnership has allocated some of these assets to a low-value pool, you may need to show deductions at item **18 Other deductions**.

For more information, see Appendix 6.

Net rent

Show at this item the net amount of any rent.

Calculate net rent by subtracting the deductions at labels **G, X** and **H** from label **F Gross rent**. If this amount is a loss, print **L** in the box at the right of the amount.

For more information, see Rental properties guide 2024.

Income excluding foreign income – items 10 to 15

Instructions to complete items 10 to 15 in the partnership tax return relating to income excluding foreign income.

In this section

10 Forestry managed investment scheme income

11 Gross interest

12 Dividends

14 Other Australian income and 15 Total of items 5 to 14

10 Forestry managed investment scheme income

Instructions to complete item 10 in the partnership tax return relating to forestry managed investment scheme income.

In this section

Definitions relating to forestry managed investment scheme

Participants in an FMIS – for an initial participant

Participants in an FMIS – for a subsequent participant

Definitions relating to forestry managed investment scheme

A partnership is an **initial participant** in a forestry managed investment scheme (FMIS) if:

- it obtained its forestry interest in the FMIS from the forestry manager of the scheme, and
- its payment to obtain the forestry interest in an FMIS results in the establishment of trees.

A partnership is a **subsequent participant** if it obtains an interest in an FMIS through secondary market trading. This means it acquired its interest other than as an initial participant, usually by purchasing that interest from an initial participant in the scheme.

The **forestry manager** of an FMIS is the entity that manages, arranges or promotes the FMIS.

A **forestry interest** in an FMIS is a right to benefits produced by the FMIS, whether the right is actual, prospective or contingent, and whether it is enforceable or not.

The amount of the partnership's **total forestry scheme deductions** is the total of all the amounts it can deduct or has deducted for each income year it held its forestry interest. See item **17 Forestry managed investment scheme deduction** for more information on amounts you can deduct.

The amount of the partnership's **incidental forestry scheme receipts** is the total of all the amounts it has received from the FMIS in each income year it held its forestry interest, other than amounts received because of a CGT event. Write at item **10** – label **Q** the total income from the following activities for each FMIS in which the partnership holds a forestry interest.

For information on the CGT treatment of the partnership's forestry interests, see Guide to capital gains tax 2024.

If the partnership is a member of a collapsed agribusiness managed investment scheme, for information on calculating your income and deductions, see Collapse and restructure of agribusiness managed investment schemes – participant information.

Participants in an FMIS – for an initial participant

As an initial participant in FMIS, consider:

- Thinning receipts
- Sale and harvest receipts – forestry interest no longer held
- Sale and harvest receipts – forestry interest still held

Thinning receipts

If the partnership received thinning proceeds from its forestry interest, include the actual amount received at label **Q**.

Sale and harvest receipts – forestry interest no longer held

Include the market value of the forestry interest at the time of the CGT event at label **Q** if the following applies:

- a CGT event happened and the partnership ceased holding its forestry interest (because it sold its interest or it received harvest proceeds), and
- the partnership has claimed a deduction, can claim a deduction, or would be entitled to deduct such amounts, but for a CGT event happening within 4 years after the end of the income year in which the partnership first paid an amount under the FMIS.

Sale and harvest receipts – forestry interest still held

Include the amount by which the market value of the forestry interest was reduced at label **Q** if the following applies:

- a CGT event happened and the partnership still held its forestry interest (because it sold part of its interest or there was a partial harvest), and
- the partnership has claimed a deduction, can claim a deduction, or would be entitled to deduct such amounts, but for a CGT event happening within 4 years after the end of the income year in which the partnership first paid an amount under the FMIS.

Participants in an FMIS – for a subsequent participant

As a subsequent participant in FMIS, consider:

- Thinning receipts
- Sale and harvest receipts – forestry interest no longer held
- Sale and harvest receipts – forestry interest still held

Thinning receipts

If the partnership received thinning proceeds from its forestry interest, include the actual amount received at label **Q**.

Sale and harvest receipts – forestry interest no longer held

Include the amount worked out below in the total amount at label **Q** if the following applies:

- a CGT event happened and the partnership ceased holding its forestry interest as a result of a CGT event (because it sold its interest or it received harvest proceeds), and
- the partnership has deducted, or can deduct or could have deducted an amount, if it paid the amount under the FMIS.

Work out in relation to the forestry interest the **lesser** of the following 2 amounts:

- the market value of the forestry interest at the time of the CGT event, or
- the amount (if any) by which the total forestry scheme deductions exceeded the incidental forestry scheme receipts.

Sale and harvest receipts – forestry interest still held

Include the amount worked out below in the total amount at label **Q** if the following applies:

- a CGT event happened and the partnership still held its forestry interest (because it sold part of its interest or there was a partial harvest), and
- the partnership has deducted, can deduct or could have deducted an amount it had paid the amount under the FMIS.

Work out the lesser of the following 2 amounts, in relation to the forestry interest:

- the market value of the forestry interest at the time of the CGT event, and
- the amount (if any) by which the total forestry scheme deductions exceeded the incidental forestry scheme receipts ('net deductions').

Use the lesser of the 2 amounts above in the following formula:

> Lesser of 2 amounts above **multiplied by** (the decrease (if any) in the market value of the forestry interest (as a result of the CGT event) **divided by** the market value of the forestry interest just before the CGT event)

Include at label **Q** the amount calculated using the above formula.

In a future income year (a year in which the partnership receives further proceeds from a harvest or the sale of its forestry interest), disregard the amount of the 'net deductions' that have already been shown at label **Q**.

Example 7: sale receipts – forestry interest no longer held

Cedar Partnership is a subsequent participant in an FMIS. It sold its forestry interest at the market value of $20,000. The sale of the forestry interest is a CGT event. The original cost base was $14,000.

In the time that Cedar Partnership held the forestry interest, it claimed $4,000 in deductions (its total forestry scheme deductions) for lease fees, annual management

fees and the cost of felling that it paid to the forestry manager. In the same period, it received $1,500 from thinning proceeds (its incidental forestry scheme receipts).

Cedar Partnership will need to include **$2,500** (that is, $4,000 – $1,500) at label **Q**, because this amount is less than the market value of its forestry interest at the time of the CGT event.

CGT notes:

- Cedar Partnership will take the amount that it included at label **Q** into account when working out the partners' share of the capital gain relating to the CGT event.
- The capital gain to be shared by the partners would be $3,500, which is capital proceeds of $20,000 less cost base of $16,500 (that is made up of $14,000 plus $2,500 that was included in assessable income).

Example 8: harvest receipts – forestry interest still held

Oakey Partnership is a subsequent participant in an FMIS. It will receive harvest proceeds over 2 income years. It received the first harvest payment of $5,000 in 2023–24.

The market value of its forestry interest was $20,000 just before it received its payment for the first harvest (which is a CGT event). After it received this first harvest payment, the market value of its forestry interest was reduced to $15,000. Its original cost base was $14,000.

In the time that it held its interest, Oakey Partnership claimed $4,000 in deductions (its total forestry scheme deductions) for lease fees, annual management fees and the cost of felling that it paid to the forestry manager. In an earlier period, it received $1,500 from thinning proceeds (its incidental forestry scheme receipts).

Step 1: The market value of the forestry interest (at the time of the CGT event) is $20,000.

The amount by which the total forestry scheme deductions exceed the incidental forestry scheme receipts is $2,500 (that is, $4,000 minus $1,500).

The amount to use in step 2 is $2,500.

Step 2: Using the formula:

$2,500 × ($5,000 ÷ $20,000) = $625

When determining the amount to include in step 2 for any future income year in which the partnership receives harvest proceeds or sells the forestry interest, the $625 is disregarded. This is because the amount is already reflected in the assessable income for the income year.

Step 3: Oakey Partnership will need to include **$625** at label **Q**.

CGT notes:

- Oakey Partnership has disposed of 25% of its forestry interest. The partnership will take the amount that it included at label **Q** into account when working out the partners' share of the capital gain relating to the CGT event.
- The capital gain to be shared by the partners would be $875, which is capital proceeds of $5,000 less apportioned original cost base of $4,125 (that is made up of $3,500 (25% of $14,000) plus $625 that is included in assessable income).

11 Gross interest

Instructions to complete item 11 for gross interest, including Australian Government loan interest.

In this section

Interest to include

Discounted, deferred interest or capital-indexed securities

Qualifying security rules

Taxation of financial arrangements (TOFA) rules

TFN amounts withheld from gross interest

Interest to include

Show at label **J** the interest from banks and credit unions, building societies, debentures, notes and deposits, income accrued on discounted or deferred interest securities, government securities, and interest paid by us.

The total, which is the gross amount of interest received or credited, must be included in assessable income.

Don't show any interest income at this item, if you were not in a partnership carrying on a business and the only income you derived jointly (or in common) with another person was:

- rent from a jointly owned property
- interest from a jointly held account
- dividends from jointly held shares.

Show your share of the interest income at item **10 Gross interest** in your Tax return for individuals 2024.

If the TOFA rules apply to the partnership, include all interest received or credited to it from financial arrangements subject to the TOFA rules at label **J**.

Show interest that is part of a cash management trust distribution or other similar trust investment product at item **8 Partnerships and trusts**.

Copy details from all statements to Worksheet 3 and keep the worksheet with your tax records. Don't include non-share dividends received from holding a non-share equity interest.

If the partnership holds such an interest, the issuer is obliged to forward a dividend statement with details of the dividends, which should be shown at item **12 Dividends**.

For more information on non-share dividends and non-share equity interests, see Debt and equity tests: overview.

Discounted, deferred interest or capital-indexed securities

Show at label **J** the appropriate amount of discount, interest or other gain which accrued this income year on a discounted, deferred interest or capital-indexed security.

Qualifying security rules

A discounted, deferred interest or capital-indexed security may be subject to the qualifying security rules in Division 16E of the ITAA 1936.

Those rules will only apply if the TOFA rules don't apply (see TOFA rules below). In addition, the security must be one that:

- was issued after 16 December 1984
- had a maturity date of more than 12 months from the issue date, and
- the sum of all payments under the security (except periodic interest – for example, a coupon rate) exceeds its issue price by greater than 1.5%.

Example 9: qualifying security rules

On 1 July, a zero-interest-discounted security is issued at $82.65, redeemable on 30 June after 2 years at a face value of $100. The investor holds the security until it matures. Where this security is not subject to the TOFA rules, the investor is required to calculate the effective rate of interest for each 6-month period; in this case, it is 4.88%.

The accrued amount included in gross interest is equal to the increase in value of the security in each income year, as follows.

Table: Accrual amount

Row	Value of security	Year 1 $	Year 2 $
A	at beginning of year	82.65	90.91
B	at half year	86.68	95.35
C	increase: b minus a	4.03	4.44
D	at end of year	90.91	100.00
E	increase: d minus b	4.23	4.65
F	increase for year: row **c plus e**	8.26	9.09

In the example, the 6-monthly period falls at exactly half-year.

Taxation of financial arrangements (TOFA) rules

A discounted, deferred interest or capital-indexed security that is a qualifying security may instead be subject to the TOFA rules.

This will be the case if the partnership starts to have the security on or after the start of the partnership's first income year starting on or after 1 July 2010 (or 1 July 2009 if the partnership made an early start election under the TOFA rules), and:

- the partnership is affected by the TOFA rules (below), or
- the security is to end more than 12 months after the partnership starts to have it.

If what you show at label **J** includes an amount which is brought to account under the TOFA rules, also complete item **31 Taxation of financial arrangements (TOFA)**.

Example 10: taxation of financial arrangements

On 1 July 2022, a zero-interest-discounted security is issued at $82.65, redeemable on 30 June 2024 after 2 years at a face value of $100. The investor holds the security until it matures. As this security is subject to the TOFA rules and the TOFA accruals method applies to the security (investor has not made any tax-timing method elections under the TOFA rules) the investor is required to calculate the rate of return for each accrual interval. Using a 12-month period interval, the rate of return is 10.00%.

The gain amount included in gross interest is equal to the increase in value of the security in each income year, as follows:

Table : Accrual amount

Row	Calculation element	Year 0 $	Year 1 $	Year 2 $
A	Amortised cost (year start)	0	82.65	90.91
B	Gain (increase in value of security)	0	8.26	9.09
C	Cash flows	-82.65	0	100.00
D	Amortised cost (year end): row **a + b – c**	82.65	90.91	0

TFN amounts withheld from gross interest

Show at label **I** any TFN amounts withheld from gross interest where a TFN has not been provided to the investment body.

Record keeping

Keep all documents issued by the investment body that detail payments of income and any TFN amounts withheld from those payments.

Don't attach these documents to the partnership tax return. Keep them with the partnership's tax records.

We may check the amount shown at label **J** with our own records to determine accuracy. For more information, see Data-matching programs.

12 Dividends

Instructions to complete item 12 in the partnership tax return relating to dividends.

In this section

When to show dividends

Dividends on which family trust distribution or trustee beneficiary non-disclosure tax has been paid

Unfranked amount

Franked amount

Franking credit

TFN amounts withheld from dividends

When to show dividends

If the only income you derived jointly (or in common) with another person was:

- rent from a jointly owned property
- interest from a jointly held account
- dividends from jointly held shares

and you were not in a partnership carrying on a business, don't show any dividend income at this item. Show your share of the dividend income at item **11 Dividends** in your Tax return for individuals 2024.

If the partnership is a shareholder or holder of a non-share equity interest in a company (including a LIC) or held units in a corporate unit trust or a public trading trust, that entity gives the partnership a dividend or non-share dividend statement. The statement is likely to include the:

- name of the entity making the distribution
- date on which the distribution was made
- amount of the distribution
- amount of franking credit allocated to the distribution
- franking percentage for the distribution
- amount of any withholding tax that has been deducted from the distribution
- name of the shareholder
- if the distribution is unfranked, a statement to that effect, and
- if the distribution is franked, the franked amount and the unfranked amount of the distribution.

If a franked distribution has been received with an associated distribution statement that does not distinguish between the franked and unfranked portions of the dividend, include the total dividend amount at label **L Franked amount** and include any attached franking credits at label **M Franking credit**.

Show only amounts received from Australian companies, corporate limited partnerships, corporate unit trusts and public trading trusts.

Show dividends that are part of a distribution from a managed investment fund at item **8 Partnerships and trusts**.

Show dividends received from foreign sources, including dividends from a New Zealand franking company with Australian franking credits attached, at item 23 Other assessable foreign source income.

Copy details from all statements to Worksheet 4 and keep the worksheet with the partnership's tax records.

If the partnership was paid a dividend by a LIC and the dividend advice statement shows a LIC capital gain amount, the partnership can claim a deduction of 50% of the LIC capital gain amount at item **16 Deductions relating to Australian investment income**.

Dividends on which family trust distribution or trustee beneficiary non-disclosure tax has been paid

To the extent that family trust distribution tax (FTDT) has been paid on a dividend paid or credited to the partnership by a company that has made an interposed entity election, that amount is excluded from the assessable income of the partnership under section 271-105 of Schedule 2F to the ITAA 1936. Don't show it at label **K** or **L**.

You can't claim a deduction for any losses or outgoings incurred in deriving an amount that is excluded from assessable income under section 271-105 and you can't claim a credit or tax offset for any franking credit attached to the non-assessable non-exempt portion of the dividend.

Accordingly, don't include any amount at label **M** for a franking credit attached to the whole or part of a dividend that is excluded under section 271-105. For more information on the circumstances in which FTDT is payable, see Family trust distribution tax.

If trustee beneficiary non-disclosure tax (TBNT) has been paid on a dividend that is included in a share of net income which the partnership is presently entitled to or which has been distributed to the partnership, then the dividend is not included in the assessable income of the partnership.

You can't claim a deduction for any losses or outgoings incurred in deriving these amounts that are excluded from assessable income, and you can't claim a tax offset for any franking credits attributable to the dividend.

For more information on dividends, franking credits and tax offset entitlements, see Appendix 1.

Unfranked amount

Show at label **K** the gross amount of unfranked dividends, and the unfranked amount of partially franked dividends, received before any TFN amounts were withheld.

If the TOFA rules apply to the partnership, include all unfranked dividends that were paid or credited to it by Australian companies in respect of financial arrangements subject to the TOFA rules at label **K**.

If the partnership is a holder, or an associate of a holder, of a share or non-share equity interest in a private company and it received:

- payments, loans or forgiveness of a debt from the company, directly or indirectly
- loans or forgiveness of a debt from a trustee, where the company has an unpaid present entitlement from the trust, or
- payments from a trustee which are attributable to certain unrealised gains, where the company has an unpaid present entitlement to the trust income

then the amounts of those payments (subject to distributable surplus and in the case of a trust the unpaid present entitlement), loans not repaid or debts forgiven are returned as an unfranked dividend unless they are specifically excluded under the provisions of Division 7A of Part III of the ITAA 1936, or the amount treated as a dividend is franked. Division 7A was amended to enable certain amounts treated as dividends to be franked. For example, a private company can frank an amount treated as a dividend that arises because of a family law obligation in certain circumstances.

Dividends paid under a demerger are generally not assessable dividends. Don't include a dividend paid under a demerger at label **K** unless the head entity of the demerger group has advised that it is an assessable dividend.

Franked amount

Show at label **L** the franked amount of franked dividends received before any TFN amounts were withheld.

If you have received a franked distribution with an associated distribution statement that does not distinguish between the franked and unfranked portions of the dividend, include the total dividend amount at label **L** and include any attached franking credits at label **M**.

Franking credit

Show at label **M** the amount of franking credits received directly from a paying company.

The amount at label **M** is distributed to the partners, and is allowed as a tax offset to reduce tax payable.

Don't show:

- franking credits if
  - the partnership did not satisfy the holding period rule, and
  - the related payments rule for the dividend, or the dividend washing integrity rule applies (see Appendix 1)
- franking credits received indirectly through another partnership or a trust; show your share of franking credit from franked distributions at item **8** – label **D**.
- franking credits attached to distributions paid by a New Zealand franking company. If the partnership received franked distributions from a New Zealand franking company, see 23 Other assessable foreign source income.

TFN amounts withheld from dividends

Show at label **N** the total of TFN amounts withheld from dividends received, minus any refund of TFN amounts withheld.

We may check the franking amount shown at label **K**, **L** and **M** with our own records to determine accuracy. See Data-matching programs.

14 Other Australian income and 15 Total of items 5 to 14

Instructions to complete items 14 other Australian income and 15 Total of items 5 to 14 in the partnership tax return.

In this section

14 Other Australian income

15 Total of items 5 to 14

14 Other Australian income

Show the total amount of other Australian income. If the amount is a loss, print **L** in the box at the right of the amount.

Gains on the disposal of traditional securities

Show at label **O** any gains on the disposal or redemption of a traditional security which are assessable income under section 26BB of the ITAA 1936. For more information on gains and losses on traditional securities, including traditional securities that are convertible notes or exchangeable notes, see You and your shares 2024.

Bonuses from life insurance companies and friendly societies

If, during the year ended 30 June 2024, the partnership received bonuses or other amounts in the nature of bonuses on the maturity, forfeiture, partial or full surrender of a short-term life insurance policy taken out on or after 28 August 1982, you may need to show the amount at label **O**.

Life insurance policies are issued by life insurance companies and friendly societies.

A partnership is regarded as having received a bonus if it re-invests or otherwise deals with the bonus during the income year.

Don't include the amount shown on a bonus certificate if the partnership:

- received it because of death, accident, illness or other disability suffered by the person on whose life the policy was effected
- received it under a policy held by the trustee of a complying superannuation fund, a complying approved deposit fund or a pooled superannuation trust
- can show that the amount was received because of serious financial difficulties
- received a bonus certificate in respect of an amount allocated to increase the amount receivable on surrender or maturity.

If the policy has a date of commencement of risk on or before 27 August 1982, any bonuses received this year are not assessable.

If the policy has a date of commencement of risk after 7 December 1983, any bonus is included in assessable income as follows:

- if received during the first 8 years after the date of commencement of risk of the policy, the bonus is included in full
- if received in the ninth year, two-thirds of the bonus amount is included

- if received in the tenth year, one-third of the bonus amount is included
- Amounts received after the tenth year are not included.

If, during the term of the policy, the amount of a premium increases by more than 25% over the previous year's premium, the policy is taken to have started again with a commencement date at the beginning of the policy year in which the premium increased.

The partner may, on their own tax return, claim a tax offset for a bonus or any other amount in the nature of a bonus included in the income, if the organisation issuing the life policy is a:

- life insurance company that pays tax on the income from which the amount was paid, or
- friendly society.

The tax offset a partner may claim on their own tax return for 2023–24 is equal to 30c in each dollar.

Include the bonus or other amount in the nature of a bonus in the calculation of net income or loss of the partnership and apportion it among the partners in the same ratio as they share in that net income or loss of the partnership.

If the partnership received assessable bonuses from a life insurance company or friendly society, include the total amount at label **O**. To ensure the tax offset is allowed, provide a statement showing the amounts from the life insurance company and friendly society life insurance policies. Attach the statement to the tax return. Print **X** in the **Yes** box at **Have you attached any 'other attachments'?** in the tax return.

Record keeping

If a bonus or other amount in the nature of a bonus is included at label **O**, or an amount was not included because of the circumstances under which it was received, keep a record of the:

- type of policy
- name of the issuing organisation
- policy number
- date the policy was taken out
- bonus statement or advice
- date that each amount was received
- nature of each amount – for example, bonus, loan or withdrawal
- circumstances under which each amount was received – for example, partial surrender of policy, serious financial difficulties, death, accident, illness or other disability
- basis of calculation of the amount included.

For more information on:

- bonuses received from certain life insurance policies, see Taxation ruling IT 2346 *Income tax: bonuses paid on certain life assurance policies – section 26AH – interpretation and operation.*
- amounts switched between investment options for the same life insurance policy, see Taxation Determination TD 94/82 *Income tax: does section 26AH of the Income Tax*

Assessment Act 1936 apply when investment options are 'switched' under an eligible policy?

Bonuses credited from friendly society income bonds

Include bonuses received from friendly society income bonds at label **O**.

The distribution statement issued by friendly societies to income bond holders will advise the amount that should be included as income.

Don't include these amounts in the calculation of the tax offset applicable to bonuses from life insurance policies.

Add backs – Listed investment company (LIC) capital gain

If a distribution is received from another partnership or trust which advises it has claimed a deduction for a LIC capital gain amount, the partnership is required to add back as income its share of the deduction allowed to the other partnership or trust.

Royalties

For information on royalty income shown at label **O**, see Appendix 2.

Foreign exchange gains or losses

Show at label **O** the assessable Australian source foreign exchange (forex) gains or deductible losses that you have not already included at any other label – for example, a label in item **5 Business income and expenses**.

If the total amount at label **O** is a loss, print **L** in the box at the right of the amount.

For more information on how to calculate forex gains and losses, see Foreign exchange gains and losses.

As foreign currency is a CGT asset, the capital gains tax provisions can apply to any capital gain or capital loss made on a CGT event. Any capital gain would generally be ignored or reduced to prevent double taxation if the gain was assessable under the TOFA rules or Division 775 of the ITAA 1997.

If a partnership has made a foreign exchange gain or loss which is subject to CGT, each partner must include their share of the capital gain or capital loss on their own tax return.

TOFA amounts from financial arrangements

If the TOFA rules apply to calculate an assessable gain or deductible loss on the partnership's financial arrangements, include at this item those assessable gains relating to the financial arrangements.

TOFA amounts that have been included elsewhere should not be included here, for example, amounts that have already been included at:

- item **5** – label **S Net income or loss from business**
- item **8** – label **A Distribution from partnerships**
- item **8** – label **Z Share of net income from trusts**
- item **11** – label **J Gross interest**

- item **12** – label **K Unfranked amount**
- item **23** – label **B Gross other assessable foreign source income**.

If the TOFA rules apply to the partnership and the other Australian income shown at label **O** or any other income label includes an amount which is brought to account under the TOFA rules, also complete item **31 Taxation of financial arrangements (TOFA)**.

For more information, see Guide to the taxation of financial arrangements (TOFA).

15 Total of items 5 to 14

Show at item **15** the total of all Australian income.

If this amount is a loss, print **L** in the box at the right of the amount.

Deductions – items 16 to 20

Instructions to complete items 16 to 20 in the partnership tax return relating to deductions.

In this section

16 Deductions relating to Australian investment income

17 Forestry managed investment scheme deduction

18 Other deductions

19 Total of items 16 to 18

20 Net Australian income or loss

16 Deductions relating to Australian investment income

Show at label **P** the expenses incurred in earning interest and dividends.

If the partnership was paid a dividend by a listed investment company (LIC) and the dividend included a LIC capital gain amount which is shown on the LIC's dividend statement, the partnership can claim a deduction of half of the LIC capital gain amount.

Expenses listed here that are costs associated with borrowing and servicing debt may not be allowable deductions under the thin capitalisation rules. For more information, see Appendix 3. The disallowed amount reduces the amount that would otherwise go at label **P**.

Deductions for the decline in value of depreciating assets used to earn interest and dividends are generally shown at label **P**. However, if the partnership has allocated some of these assets to a low-value pool, you may need to show deductions at item **18** – label **Q**. For more information, see Appendix 6.

If you have incurred interest in respect of a collapsed managed investment scheme (MIS), then for information on your eligibility to claim a deduction for interest expenses, see Collapse and restructure of agribusiness managed investment schemes – participant information.

If the TOFA rules apply to the partnership, include all deductions relating to Australian investment income from financial arrangements subject to the TOFA rules at label **P**.

Former STS taxpayers still using the STS accounting method

If the partnership is eligible and has chosen to continue using the STS accounting method, it can claim general deductions (for example, for interest expenses) only when the expenses are paid.

For more information on the STS accounting method, see Continued use of the STS accounting method.

17 Forestry managed investment scheme deduction

The partnership may be able to claim a deduction at this item for payments made to an FMIS if:

- it currently holds a forestry interest in an FMIS, or held a forestry interest in an FMIS during the income year
- it paid an amount to a forestry manager of an FMIS under a formal agreement
- the forestry manager advised the partnership that the FMIS satisfied the 70% direct forestry expenditure rule in Division 394 of the ITAA 1997
- the partnership does not have day to day control over the operation of the scheme
- there was more than one participant in the scheme or the forestry manager or an associate of the forestry manager managed, arranged or promoted similar schemes, and
- the trees were established within 18 months of the end of the income year in which an amount was first paid under the FMIS by a participant in the scheme.

The deduction is claimed in the income year in which the payment is made. However, where the partnership's investment in the FMIS results in it carrying on a forestry business of primary production, its payments under the FMIS may be subject to the non-commercial loss provisions in Division 35 of the ITAA 1997.

If the partnership is an **initial participant**, it can claim a deduction for initial and ongoing payments at this item. The partnership can't claim a deduction if it has disposed of its forestry interest in an FMIS within 4 years after the end of the income year in which it first made a payment. However, the deduction will be allowed if the disposal occurs because of circumstances outside of the partnership's control, provided the partners could not have reasonably foreseen the disposal happening when they acquired the interest. Disposals that would generally be outside the partnership's control may include compulsory acquisition, insolvency of one or more of the partners or the scheme manager, or cancellation of the interest due to fire, flood or drought.

If the partnership is a **subsequent participant**, it can't claim a deduction for the amount paid for acquiring the interest. The partnership can only claim a deduction for ongoing payments.

Initial participants can claim at this item **initial and ongoing payments** made under an FMIS, which were made as an initial participant of the FMIS.

Subsequent participants can claim at this item **ongoing payments** made under an FMIS, which were made as a subsequent participant of the FMIS.

The deduction is claimed in the income year in which the payment is made.

For definitions of the terms we use in this section, see Definitions relating to forestry managed investment scheme.

Excluded payments

The partnership can't claim a deduction at this item for any of the following payments:

- payments for borrowing money
- interest and payments in the nature of interest
- payments of stamp duty

- payments of GST
- payments that relate to transportation and handling of felled trees after the earliest of the following
  - sale of the trees
  - arrival of the trees at the mill door
  - arrival of the trees at the port
  - arrival of the trees at the place of processing, other than where processing happens in-field
- payments that relate to processing
- payments that relate to stockpiling, other than in-field stockpiling
- payments that relate to marketing and sale of forestry produce.

Whilst the payments are not FMIS payments, they may qualify as revenue or capital payments under another label.

Show at label **D** the total amount of deductible payments made to an FMIS.

18 Other deductions

Show at label **Q** the total of any deductible losses and outgoings not already claimed by the partnership at any other items.

If the partnership is registered for GST, exclude any input tax credit entitlements for expenses incurred by the partnership from the amount shown at label **Q**.

The following information will help you to complete item **18**:

- Former STS taxpayers still using the STS accounting method
- Losses and outgoings
- Tax-related expenses
- Losses on the disposal of traditional securities
- TOFA amounts from financial arrangements
- Payment of premiums to a non-resident insurer
- Gifts
- Deductions for political contributions and gifts
- Subscriptions
- Deductions for depreciating assets in a low-value pool

Former STS taxpayers still using the STS accounting method

If the partnership is eligible and has chosen to continue using the STS accounting method, it can claim deductions for the following expenses only when they are paid:

- general deductions – for example, interest expenses
- tax-related expenses
- expenses for repairs.

For more information on the STS accounting method, see Continued use of the STS accounting method.

Losses and outgoings

The partnership can claim a deduction for losses and outgoings if they are incurred in gaining or producing its assessable income, or necessarily incurred in carrying on a business for the purpose of gaining or producing its assessable income.

However, under section 25–90 of the ITAA 1997 a partnership may also be able to claim a debt deduction for costs such as interest and borrowing costs incurred in relation to a debt interest (as defined in the ITAA 1997) if the costs are incurred in earning foreign source income which is non-assessable non-exempt income under section 768-5 of the ITAA 1997, or section 23AI or 23AK of the ITAA 1936. The amount of the deduction is subject to any reduction required by the thin capitalisation rules. Similar rules apply under subsection 230-15(3) of the ITAA 1997 for your debt interest that is a financial arrangement covered by the TOFA rules.

Debt deductions for foreign source income are not quarantined to foreign source income. Therefore, you can deduct these expenses against assessable income of the partnership, subject to any reduction required under the thin capitalisation rules. If these amounts relate to foreign source income, include the deduction for these expenses at label **Q** unless they are attributable to an overseas permanent establishment.

Don't include them at item **23 Other assessable foreign source income** or any other item.

If the debt deductions are attributable to an overseas permanent establishment, see item **23** – label Net foreign source income.

You can't claim a deduction for the following:

- losses or outgoings of capital or of a capital, private or domestic nature, except where special provision is made in the income tax law
- expenses incurred in gaining or producing exempt or non-assessable non-exempt income (except certain debt deductions under section 25–90 or subsection 230-15(3) of the ITAA 1997)
- penalties or fines
- income tax liabilities
- entertainment, except in very limited circumstances
- costs associated with borrowing and servicing debt to the extent that a deduction is denied under the thin capitalisation rules.

For more information, see Appendix 3. The disallowed amount reduces the amount that would otherwise be shown at label **Q**.

Tax-related expenses

Show at label **Q** any expenses incurred by the partnership in the management of its tax affairs. These expenses include:

- the cost of attending an ATO audit
- tax planning

- expenditure on your income tax affairs, that is, a fee or commission for professional advice, where the advice is provided by a registered tax agent, or a barrister or solicitor
- an interest charge imposed by us, and
- a penalty for underestimating a varied GST instalment or PAYG instalment.

Show a deduction for the decline in value of a depreciating asset used in managing the tax affairs of the partnership at label **Q**. For more information on working out decline in value, see Appendix 6.

You can't claim a deduction for costs for any offence-related matter, for example, the cost of defending a tax prosecution.

If expenditure allowed or allowable as a deduction is recouped, include the amount recouped in assessable income in the year of recoupment.

Losses on the disposal of traditional securities

Show at label **Q** any losses incurred upon the disposal or redemption of a traditional security which are deductible under section 70B of the ITAA 1936. For more information on gains and losses on traditional securities, including traditional securities that are convertible notes or exchangeable notes, see *You and your shares 2024*.

TOFA amounts from financial arrangements

If the TOFA rules apply to calculate an assessable gain or deductible loss on the partnership's financial arrangements, include at this item any of those deductible losses relating to the financial arrangements.

TOFA amounts that have been included elsewhere should not be included here, for example, amounts that have already been included at:

- item **5** – label **S Net income or loss from business**
- item **9** – label **G Interest deductions**.

If what you show at label **Q** or any other deduction label includes an amount which is brought to account under the TOFA rules, also complete item **31 Taxation of financial arrangements (TOFA)**.

For more information, see Guide to the taxation of financial arrangements (TOFA).

Payment of premiums to a non-resident insurer

You can't claim a deduction for insurance premiums paid to a non-resident insurer for the insurance of property situated in Australia or of an event which can happen only in Australia, unless arrangements have been made to our satisfaction for the payment of any tax that is payable or may become payable for the premium. Keep a record of the details supporting any claim for a deduction.

Gifts

The partnership can only claim a deduction for gifts (including cash) made to an organisation which is a deductible gift recipient (DGR). DGRs are endorsed by us or specifically named in income tax law. Some of the types of bodies that can be endorsed as

DGRs are public benevolent institutions, school building funds and approved overseas aid funds.

To check whether the organisation is a DGR, go to ABN Lookup.

Gifts of certain property valued at $2 or more as well as money may be deductible. This includes gifts of:

- property (including shares) valued by us at more than $5,000
- property (including trading stock and shares) purchased by the donor during the 12 months before the gift was made, and
- shares in a listed public company valued at $5,000 or less held by the donor for at least 12 months.

Show at label **Q** the deduction for gifts to DGRs. The deduction can't add to, or create a tax loss. You may need to reduce the claim where the amount is a loss at item **20 Net Australian income or loss**.

A partnership may elect to spread deductions over 5 income years or less, where the gift is money, or property valued by us at more than $5,000. Special requirements apply for spreading deductions for certain environmental, heritage and cultural property gifts.

For more information, see Gifts and fundraising.

Deductions for political contributions and gifts

Only individuals can deduct contributions and gifts to political parties and independent members and candidates. Individuals claiming the deduction must not have made the contributions or gifts in the course of carrying on a business.

Subscriptions

Show at label **Q** any expenses incurred for subscriptions paid to:

- trade, business or professional associations
- other organisations where the subscription expense is incurred in producing assessable income
- journals or magazines where these relate to producing assessable income.

Don't claim for fees paid for membership of a sporting or social club or a political party.

Deductions for depreciating assets in a low-value pool

If the partnership has allocated depreciating assets used for different income-producing purposes to its low-value pool show the low-value pool deduction at label **Q**. For example, some assets are used for producing rental income and others are used in carrying on a business.

For more information, see Appendix 6.

You can also work out your low-value pool deductions by using the Depreciation and capital allowances tool.

19 Total of items 16 to 18

Show at item **19** the total of amounts shown at items 16 to 18.

20 Net Australian income or loss

Show at label **$** the net income or loss relating to Australian income, that is, total Australian income minus total deductions from item **19**.

If this amount is a loss, print **L** in the box at the right of the amount.

Foreign income – items 22 to 24

Instructions to complete items 22 to 24 in the partnership tax return relating to foreign income.

In this section

22 Attributed foreign income

23 Other assessable foreign source income

24 Total of items 20 to 23

22 Attributed foreign income

For more information on calculating the amounts shown at label **M** and **X**, see the *Foreign income return form guide 2024*.

Where a return is required because the partnership had a period in the income year when it was not a member of a consolidated group or MEC group (a non-membership period), the partnership should complete an International dealings schedule where it has derived foreign income attributable to any non-membership period.

If you report a distribution from a trust at item **22**, complete a Trust income schedule 2024 and attach it to the partnership tax return.

Complete in this item:

- Attributed foreign income
- Listed country
- Unlisted country
- Small business income tax offset

Attributed foreign income

Did you have overseas branch operations or a direct or indirect interest in a foreign trust, foreign company, controlled foreign entity or transferor trust?

Overseas branch operations include:

- business operations carried on by an Australian resident entity at or through a fixed place of business in another country
- business operations carried on by a foreign resident entity at or through a fixed place of business in Australia.

Direct or indirect interests in a controlled foreign company or a foreign trust are taken to have the same meaning as set out in Division 3 of Part X of the ITAA 1936.

A partnership has an interest in a transferor trust if the partnership has ever made, or caused to be made, a transfer of property or services to a non-resident trust. Transfer of property and services is defined in section 102AAB of the ITAA 1936.

Sections 102AAJ and 102AAK of the ITAA 1936 provide guidance on whether there was a transfer, or a deemed transfer, of property or services to a non-resident trust.

If your answer to the question at label **S** is:

- **No** – Print **X** in the **No** box at label **S**.
- **Yes** – Print **X** in the **Yes** box at label **S**. Complete an International dealings schedule.

If the partnership both had foreign source business income and is a small business entity, see Small business income tax offset.

Listed country

Show at label **M** the amount of gross attributed foreign income from controlled foreign entities and transferor trusts of listed countries. Listed countries are set out in section 19 of the *Income Tax Assessment (1936 Act) Regulation 2015*.

Attributed foreign income is the income attributed to the taxpayer from controlled foreign entities, calculated in accordance with Division 7 of Part X of the ITAA 1936, and includes an amount grossed-up under section 392 of the ITAA 1936, to the extent of any foreign taxes paid.

Show at label **M** the amount of income attributed from a transferor trust that is a listed country trust estate, calculated in accordance with Subdivision D of Division 6AAA of the ITAA 1936.

A listed country trust estate is defined in section 102AAE of the ITAA 1936.

Unlisted country

Show at label **X** the amount of attributed foreign income from controlled foreign entities in unlisted countries. Unlisted countries are countries that are not listed in section 19 of the *Income Tax Assessment (1936 Act) Regulation 2015*.

Show at label **X** the amount of income attributed from a transferor trust if the amount has not been shown at label **M**.

Small business income tax offset

If the partnership is a small business entity and has attributed net business income, any individual partners may be entitled to the small business income tax offset.

Refer to the instructions for item **5 Business income and expenses** and complete Worksheet 1A.

The individual partners will need to know their share of net small business income from the partnership to work out their entitlement to the small business income tax offset.

23 Other assessable foreign source income

If the partnership received assessable dividends directly or indirectly from a New Zealand franking company, the dividends (including any supplementary dividends) must be declared as assessable foreign income even if dividend withholding tax was deducted in New Zealand. The individual partners may be able to claim a foreign income tax offset for any New Zealand dividend withholding tax paid on the dividend.

If the dividend from a New Zealand franking company is assessable income, then the amount of the Australian franking credit attached to the dividend is also assessable income

if the partnership is eligible to receive imputation benefits. Subject to the holding period rule and related payments rule, the partners can claim a franking tax offset equal to the amount of the Australian franking credit included in its assessable income. For more information, see Appendix 1.

The dividend may include an amount of New Zealand imputation credits. Australian residents can't claim any amounts of New Zealand imputation credits.

All dividend income, deductions and foreign tax paid must be converted into Australian dollars. The amount of Australian franking credits should also be expressed in Australian dollars.

Income tests require each partner to report their share of the partnership rental property income or loss. If you have included foreign rental income at item **23**, include it in your net rental property income or loss at item **53** – label **H** and complete your share of net rental property income or loss at item **54** – label **K**. For more information, see item 53 Income tests.

If you report a distribution from a trust at item **23**, complete a Trust income schedule 2024 and attach it to the partnership tax return.

Complete at this item:

- Gross foreign source income
- Net foreign source income
- Foreign income tax offset
- Australian franking credits from a New Zealand franking company
- Small business income tax offset.

Gross foreign source income

Show at label **B** the gross amount of assessable income derived from foreign sources, including amounts distributed from partnerships and other trusts as well as New Zealand franking company dividends and supplementary dividends. Include any foreign tax withheld or paid at source on that income.

Don't include at label **B**:

- any income which is exempt from tax in Australia or treated as non-assessable non-exempt income under sections 23AI and 23AK of the ITAA 1936
- any amount of New Zealand imputation credits
- any amount of Australian franking credits attached to dividends from a New Zealand franking company – show these at label **D**
- income already shown at item **22 Attributed foreign income**
- any capital gains or capital losses.

Each partner must include their share of any capital gains or capital losses on their own tax return.

If the TOFA rules apply to the partnership, include 'gross foreign source income' from financial arrangements subject to the TOFA rules at label **B**.

Net foreign source income

Show at label **V** the net income derived from foreign sources.

The amount at label **V** is the gross amount shown at label **B**, minus any deductions allowable to the partnership against that income.

Debt deductions (such as interest and borrowing costs) that relate to assessable foreign source income and that are not attributable to an overseas permanent establishment of the taxpayer should not be applied against assessable foreign source income at this item. Include them at item **18 Other deductions**.

If the amount at label **V** is negative, print **L** in the box at the right of the amount.

If the amount you show at label **V** includes foreign source business income, see Small business income tax offset.

If the TOFA rules apply to the partnership, include 'net foreign source income' from financial arrangements subject to the TOFA rules at label **B**.

Current year foreign losses

Foreign losses can be deducted in calculating the partnership's net income or loss under section 90 of the ITAA 1936. This has the effect of either decreasing the partnership's net income (and the amount available to be allocated to each partner according to their interest) or increasing the amount of the partnership loss (and the amount of the loss allocated to each partner according to their interest).

Foreign income tax offset

Show at label **Z** the amount of any foreign income tax paid by the partnership on foreign source income.

If foreign income tax has actually been paid by the partnership, then the partners may be able to claim a foreign income tax offset in their individual income tax returns if they meet the necessary conditions.

For more information, see the Guide to foreign income tax offset rules 2024

Example 11: foreign income tax offset

A partnership of 2 Australian partners with equal interests in all income of the partnership derives net income of $1,000 on which it pays $100 of foreign income tax.

The partners each include $500 in their assessable income, being their share of the net income of the partnership. They will both be entitled to a tax offset to the extent that foreign income tax is paid on the amount that is part of their assessable income.

The foreign income tax paid is apportioned according to each partner's share of the net income of the partnership included in their assessable income. Therefore, the amount of foreign tax that counts towards the offset for each partner is $50, as this is the proportionate amount of foreign income tax they are taken to have paid on the amount included in their assessable income, that is, (500 ÷ 1,000) × $100.

The amount of foreign income tax offset that each partner can claim is subject to the foreign income tax offset limit calculated under subsection 770-75(2) of the ITAA 1997.

Australian franking credits from a New Zealand franking company

Show at label **D** the amount of Australian franking credits that are included in the net income of the partnership because of franked dividends received from a New Zealand franking company directly, or indirectly through another partnership or trust.

The amount shown at label **D** is not necessarily the total amount that each partner can claim; see Appendix 1.

Small business income tax offset

If any part of the amount at label **V** is net business income from a small business entity, any individual partners may be entitled to the small business income tax offset.

Refer to the instructions for item **5 Business income and expenses** and complete Worksheet 1A.

The individual partners will need to know their share of net small business income from the partnership to work out their entitlement to the small business income tax offset.

24 Total of items 20 to 23

Show at item **24** the total of the amounts shown at items **20** to **23**.

If this amount is a net loss, print **L** in the box at the right of the amount. Don't include prior year Australian or foreign source losses here.

Overseas transactions or thin capitalisation – items 29 to 30

Instructions to complete items 29 and 30 in the partnership tax return relating to overseas transactions.

In this section

29 Overseas transactions

30 Personal services income

29 Overseas transactions

The following information will help you complete item **29** in the tax return:

- Overseas transactions
- Overseas expenses
- Transactions with specified countries

Overseas transactions

Was the aggregate amount of your transactions or dealings with international related parties (including the value of any property or service transferred, or the balance of any loans) greater than $2 million?

- **No** – Print **X** in the **No** box at label **W**.
- **Yes** – Print **X** in the **Yes** box at label **W**.

Did the thin capitalisation provisions affect you?

- **No** – Print **X** in the **No** box at label **O**.
- **Yes** – Print **X** in the **Yes** box at label **O**.

For more information on thin capitalisation, see Appendix 3.

If you answered **Yes** at item **29** – label **W** or item **29** – label **O**, or you completed item **29** – label **D** or item **29** – label **E**, complete an International dealings schedule.

Print **X** in the **Yes** box at **Have you attached any 'other attachments'?** in the tax return.

Complete an *International dealings schedule 2024* where:

- a tax return is required because the partnership had a period in 2023–24 when it was not a member of a consolidated group or MEC group (a non-membership period), and
- the partnership derived foreign income attributable to any non-membership period.

The aggregate amount of the partnership's transactions or dealings is the total amount of all dealings, whether on revenue or capital account (including property transfers or service provision) and includes the balance of any loans or borrowings outstanding with international related parties. Transactions must not be netted off against each other, for example, a $600,000 purchase from, and a $700,000 sale to, related parties is treated as totalling $1,300,000, not $100,000.

International related parties may be persons who are not dealing wholly independently with one another in their cross-border commercial or financial relations and whose dealings or relations can be subject to Subdivision 815-B of the ITAA 1997 or the associated enterprises article of a relevant double tax agreement (DTA). The term includes:

- any overseas entity or person who participates directly or indirectly in the management, control or capital of the partnership
- any overseas entity or person in respect of which the partnership participated directly or indirectly in the management, control or capital
- any overseas entity or person in respect of which persons who participate directly or indirectly in its management, control or capital are the same persons who participate directly or indirectly in the management, control or capital of the partnership.

Participates includes a right of participation, the exercise of which is contingent on an agreed event occurring.

Person includes a company.

For more information on the relevant degree of participation, see Taxation Ruling IT 2514 *Income tax: Company Schedule 25A: Information return for companies that transact business with related overseas entities*.

The type of dealings or transactions which require you to complete *International dealings schedule 2024* are dealings with:

- international related parties as above, such as an overseas holding company, overseas subsidiary, overseas branch or non-resident trust in which the entity has an interest
- unrelated parties where the conditions that operate between you and the unrelated party are different to the conditions that might be expected to operate between independent parties dealing wholly independently with one another in comparable circumstances.

These dealings or transactions may be the provision or receipt of goods or services, or transactions in which money or property has been sent out of Australia, or received in Australia from an overseas source during the income year. They may include the transfer of tangible or intangible property, provision or receipt of services, or the provision or receipt of loans or financial services. If money or property is not actually sent out of Australia or received in Australia, but accounting entries are made that have the effect of money or property being transferred, this is also to be taken as an international transaction.

Overseas expenses

Complete in this section:

- Interest expenses overseas
- Royalty expenses overseas

Interest expenses overseas

Show at label **D** the amount of interest paid to non-residents. Include this amount at item **5** – label **I**.

If you include an amount at label **D**, you must complete an International dealings schedule 2024.

An amount of tax (withholding tax) is generally withheld from:

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

You must remit these amounts to us. You can't claim a deduction unless you have remitted the required withholding tax to the Commissioner of Taxation. If you have withheld amounts from payments to non-residents, you may need to lodge a PAYG withholding from interest, dividend and royalty payments paid to non-residents – annual report by 31 October 2024.

Keep a record of the following:

- names and addresses of recipients
- amounts paid or credited
- documents that identify the substance of the financial arrangement and supports the amount of interest expenses claimed – for example, a signed copy of the loan agreement
- details of tax withheld, where applicable, and the date on which it was remitted to us.

Royalty expenses overseas

Show at label **E** the royalty expenses paid to non-residents during 2023–24.

If you include an amount at label **E**, complete an International dealings schedule 2024.

Include this amount at item **5** – label **J**, plus or minus any reconciliation adjustment for royalty expenses that you included at item **5** – label **B Expense reconciliation adjustments**.

An amount of tax (withholding tax) is generally withheld from royalties:

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

You must remit this amount to us. You can't claim a deduction unless you have remitted the required withholding tax to the Commissioner. If you have withheld amounts from payments to non-residents, you may need to lodge a PAYG withholding from interest, dividend and royalty payments paid to non-residents – annual report by 31 October 2024.

Keep a record of the following:

- names and addresses of recipients
- amounts paid or credited
- documents that identify the nature of the benefit derived – for example, a signed copy of the royalty agreement
- details of tax withheld where applicable, and the date on which it was remitted to us.

Transactions with specified countries

Answer the questions below and if the answers are:

- **No** – Print **X** in the **No** box at label **C**.
- **Yes** – Print **X** in the **Yes** box at label **C**.

Did you send any funds or property to, or receive any funds or property from, any of the countries listed below?

This includes sending or receiving funds or property indirectly, for example, through another entity or country.

Do you have the ability to control the disposition of any funds, property, investments, or any other assets located in any of the countries listed below?

This includes:

- funds or assets that may be located elsewhere, but are controlled or managed from one of the countries listed below, and
- where you have an expectation that you are able to control the disposition of the funds or assets, or that you have the capacity to control the disposition indirectly, for example, through associates.

The specified countries are as follows:

- Andorra
- Anguilla
- Antigua and Barbuda
- Aruba
- Bahamas
- Bahrain
- Barbados
- Belize
- Bermuda
- British Virgin Islands
- Cayman Islands
- Cook Islands
- Curacao
- Cyprus
- Dominica
- Gibraltar
- Grenada
- Guernsey
- Hong Kong
- Ireland

- Isle of Man
- Jersey
- Liberia
- Liechtenstein
- Luxembourg
- Mauritius
- Monaco
- Montserrat
- Nauru
- Netherlands
- Niue
- Panama
- Republic of the Marshall Islands
- Saint Kitts and Nevis
- Saint Lucia
- Saint Maarten (Dutch part)
- Saint Vincent and Grenadines
- Samoa
- San Marino
- Seychelles
- Singapore
- Switzerland
- Turks and Caicos Islands
- US Virgin Islands
- Vanuatu

30 Personal services income

The following will help you to complete item 30 in the partnership tax return.

Does your income include an individual's personal services income?

Personal services income (PSI) is income that is mainly a reward for an individual's personal efforts or skills (or would mainly be such a reward if it was derived by the individual).

- If more than 50% of the income received under a contract is for an individual's personal efforts or skills, then all income from that contract is PSI.
- If 50% or less of the income received under a contract is for an individual's personal efforts or skills, then none of the income for that contract is PSI.

A partnership may derive income which includes the PSI of one or more individuals. This includes individuals working through a partner that is a company or trust.

Examples of PSI include income:

- for the services of a professional practitioner in a sole practice
- derived under a contract which is wholly or mainly for the labour or services of an individual
- for the exercise of professional skills by a professional sportsperson or entertainer
- for the exercise of personal expertise by a consultant.

PSI doesn't include income that is mainly:

- for supplying or selling goods, for example, from retailing, wholesaling or manufacturing
- generated by an income-producing asset, for example, from contracting to provide a bulldozer
- for granting a right to use property, for example, the copyright to a computer program, or
- generated by a business structure, for example, a large accounting firm.

Did the income of the partnership include an individual's PSI?

- **No** – Print **X** in the **No** box at label **N** – you have finished this question.
- **Yes** – Print **X** in the **Yes** box at label **N**.

If the partnership received an individual's PSI other than in the course of conducting a personal services business and, if the individual is not a partner, did not promptly pay the PSI to the individual as salary and wages, then:

- the net amount of PSI is attributed to the individual and is not assessable to the partnership, and
- certain related expenses are not deductible under the PSI rules.

A partner:

- can't be an employee of a partnership
- can't be paid salary and wages, see 44 Total salary and wage expenses.

For purposes of item **30**, 'you' or 'your' refers to the partnership.

Expenses specifically denied include rent, mortgage interest, rates and land tax for the residence of individuals (or their associates, such as a spouse) whose efforts or skills mainly generate the PSI for the partnership; the costs of a second private-use car; and payments of salary or wages and superannuation for associates to the extent such payments relate to non-principal work.

The denied expenses include the total amount of the deductions allowed to the individual for a net PSI loss.

Include adjustments for PSI at item **5 Reconciliation items**. See Treatment of attributed PSI on your income tax return.

Total amount of PSI included at item 5 income labels

Write at label **A** the total amount of income gained by you during the year that is PSI of one or more individuals that you have included at item **5** income labels.

Exclude any exempt or non-assessable non-exempt components of the PSI, for example, goods and services tax (GST).

Total amount of deductions against PSI included at item 5 expense labels

Write at label **B** the total amount of deductions against PSI included at item **5** expense labels.

What is a personal services business?

You qualify as a personal services business (PSB) in relation to an individual's PSI if, in respect of an individual whose PSI is included in your income:

- you meet the results test
- less than 80% of the individual's PSI in an income year comes from one source and you meet either the unrelated clients test, the employment test or the business premises test (the 80% rule), or
- you obtain a PSB determination from the Commissioner of Taxation confirming that you are a PSB.

A PSB determination confirms that an individual's PSI is included in the income of a PSB. Therefore, a partnership can be a PSB in relation to one individual's PSI and not in relation to another individual's PSI.

The results test

Did you satisfy the results test in respect of any individual?

- **Yes** – Print **X** in the **Yes** box at label **C**.
- **No** – Print **X** in the **No** box at label **C**.

You will meet the results test in an income year if you have PSI from one or more individuals, and for at least 75% of the PSI of the individual doing the personal services work:

- the PSI is paid to achieve a contractually specified result under your contract or agreement
- you provide the tools or equipment necessary (if any) to do the work, and
- you are liable for the cost of rectifying defects in the work performed.

We consider that the PSI is paid to achieve a result when the individual is required to produce a specified result or outcome, and payment is conditional upon that result or outcome being achieved. The essence of the contract or agreement has to be to achieve a result, and not just to do the work as required.

You can self-assess whether you satisfy the results test irrespective of how much income comes from one source.

What is the 80% rule?

If you don't meet the results test, and 80% or more of the PSI in the income year comes from one entity (or one entity and their associates), you can't self-assess whether you meet the other tests. The PSI rules apply to the PSI of the individual who generated it unless you get a determination from the Commissioner.

When considering the 80% rule, don't take into account income that is not PSI, for example, investment income or income from the sale of goods or the use of an income-producing asset.

If you are a commission agent, your PSI will be treated as coming from each customer provided you meet all of the following conditions:

- you are an agent of the principal, but not an employee
- you receive income from your principal for services that you provide to customers on the principal's behalf
- at least 75% of that income is performance-based commissions or fees
- you actively seek other customers to whom you could provide services on the principal's behalf, and
- you don't provide any services to the customers, on the principal's behalf, using premises that the principal (or their associate) owns or has a leasehold interest in, unless you use the premises under an agreement entered into at arm's length.

If you meet all of these conditions and, as a consequence, less than 80% of the PSI is treated as coming from each customer, you can self-assess against the:

- Unrelated clients test
- Employment test
- Business premises test.

You don't need a determination from the Commissioner to be a PSB although you may apply for a PSB determination if you are unsure.

Do you hold a PSB determination in respect of any individual?

- **Yes** – Print **X** in the **Yes** box at label **D**.
- **No** – Print **X** in the **No** box at label **D**.

You can go to Personal services business determination application to get a copy of the PSB determination application form and instructions. If you have earned PSI from more than one individual, you can apply for a PSB determination for each person.

Indicate for any individual for whom you did not satisfy the results test or hold a PSB determination, and each source of their PSI income yielded less than 80% of their total PSI, whether you satisfied any of the PSB tests.

Unrelated clients test

If you satisfied the Unrelated clients test, print **X** in the box at label **E1**.

You meet the unrelated clients test in 2023–24 if:

- the individual doing the personal services work generated PSI from 2 or more clients who were not associated with each other, or with the individual, or with you, and
- the clients above were obtained as a direct result of the partnership making offers to the public, for example, by advertising. Don't count clients obtained as a result of registering your partnership name with a labour-hire firm, placement agency or similar organisation.

Separate government departments are deemed not to be associates of each other for the purposes of this test.

If you are a commission agent who meets all of the special conditions, you will pass the unrelated clients test if your services are provided to at least 2 customers as a direct result of your making offers or invitations to the public on behalf of your principal.

Employment test

If you satisfied the Employment test, print **X** in the box at label **E2**.

Subject to certain exceptions noted below, you met the employment test in 2023–24 if:

- you had employees, engaged subcontractors, or engaged entities that performed at least 20% (by market value) of the principal work, or
- you had one or more apprentices for at least half the income year.

'Principal' work is the main work that generates the PSI and does not usually include support work such as secretarial duties.

You can count:

- a spouse or family member of an individual who generated PSI and who you engaged to do principal work
- a partner who
  - didn't have their own PSI, and
  - performed principal work that helped generate the PSI of another individual.

You can't count:

- companies, partnerships or trusts associated with you
- any other individual whose PSI you receive.

Business premises test

If you satisfied the Business premises test, print **X** in the box at label **E3**.

You met the business premises test if, at all times during 2023–24, you maintained and used business premises:

- that you used mainly for work to earn the PSI, that is, more than 50% of the activities you conducted at the premises were directed at producing your PSI
- that were used exclusively by you
- that were physically separate from the private residence of
  - the individual doing the personal services work
  - their associates
  - your associates, and
- that were physically separate from the business premises of your clients or their associates.

'At all times during 2023–24' means the whole period during which you conducted activities to generate PSI.

You don't need to maintain and use the same business premises throughout the year, but you must satisfy all the above criteria.

What if I don't qualify as a PSB in respect of an individual whose PSI is included in my income, and the PSI rules apply?

Generally, if the rules apply to an individual whose PSI is included in your income, there are 3 main effects:

- The PSI, reduced by certain deductions to which the personal services entity is entitled, is treated as the income of the relevant individual and must be included on their income tax return.
- You must either
  - pay the PSI promptly, as salary or wages, to the individual (other than a partner) who does the personal services work, or
  - attribute the net PSI to the individual who does the personal services work and withhold and remit tax on that income.
- The deductions that may be claimed are limited.

If you made a net PSI loss:

- the net PSI loss must be transferred to the individual who generated the PSI. The partnership can't use this loss against any other business income, or carry forward the loss.
- the individual who generated the PSI can claim this loss as a deduction in their individual tax return. If the individual does not have enough other income in that year to offset the loss, the individual may carry this loss forward under the carried forward loss rules.

Deductions limited to PSI

The deductions that may be limited include the following:

- Certain car expenses
- Superannuation contributions
- Entity maintenance deductions
- Mortgage interest, rates and land tax
- Payments to associates
- Additional PAYG withholding obligations
- Treatment of attributed PSI on your income tax return
- Treatment of net PSI loss on your income tax return

Certain car expenses

You may deduct:

- A car expense for each car used solely for business purposes.
- A car expense or an amount of fringe benefits tax payable in respect of employees (but not partners), for a car fringe benefit where a car is used partly for private purposes. However, there can't be, at the same time, more than one car for which such deductions can arise in relation to gaining or producing the same individual's PSI. If there is more

than one car used privately at the same time for the same individual, you must choose one car only for which to claim deductions. The choice remains in effect until you cease to hold that car.

Superannuation contributions

You may be able to claim a deduction for a portion of the contributions you make to a complying superannuation fund or retirement savings account (RSA) for the purpose of making provision for superannuation benefits payable for your associate to the extent that their work for you relates to gaining or producing the PSI.

If you make such a contribution for your associate and their work forms part of the principal work for which you gain or produce the PSI, your deduction is limited. Your deduction can't exceed the amount you would have to contribute for the associate to ensure that you did not have an individual superannuation guarantee shortfall for that associate.

If the associate only performs non-principal work, you can't claim any deduction for contributions you make to a complying superannuation fund or RSA for the associate.

Entity maintenance deductions

These are:

- fees or charges associated with an account with an authorised deposit-taking institution (but not including interest or interest-like amounts)
- tax-related expenses
- any expense incurred in relation to the preparation or lodgment of a document under Corporations Law, except if the payment is made to an associate
- statutory fees.

Entity maintenance deductions must first be offset against your other income. If the entity maintenance deductions exceed your other income, the excess of the entity maintenance deductions may reduce PSI attributable to the individuals.

If your income includes the PSI of more than one individual, apportion the excess entity maintenance deductions between the individuals using the following formula:

Excess entity maintenance deductions **multiplied by** Individual's PSI **divided by** Total PSI.

Mortgage interest, rates and land tax

You can't deduct amounts that are incurred in gaining or producing an individual's PSI if such amounts represent rent, mortgage interest, rates and land tax for the residence of the individual or the residence of an associate of yours or of the individual.

Payments to associates

You can't deduct payments to associates or any amount you incur from an obligation you have to your associate to the extent the payment or obligation relates to the associate performing non-principal work.

Additional PAYG withholding obligations

When the PSI rules apply, your business will have additional PAYG obligations for each individual with an amount of PSI attributed.

The additional PAYG withholding obligation ensures:

- an amount of withholding has been reported and paid to us for the attributed income (the income treated as belonging to the individual who generated the PSI)
- each individual who generated the PSI receives a PAYG withholding credit for their individual tax return.

Normal PAYG withholding applies to the PSI you received that is promptly paid out to the individual as salary or wages.

An individual receiving such salary or wages must complete item **1 Salary or wages** on their individual tax return.

A partner can't:

- be an employee of a partnership
- be paid salary and wages – see, 44 Total salary and wage expenses.

If your business has a net PSI loss for 2023–24, there are no additional PAYG withholding obligations as no income has been attributed.

Treatment of attributed PSI on your income tax return

If PSI is attributed to an individual, the income is not assessable to the partnership. Show the PSI on the *Partnership tax return 2024* as follows.

Include the attributed amount in the amount you show at item **5** – label **A Income reconciliation adjustments** (as worked out in Worksheet 1):

- The attributed amounts are income subtraction amounts.
- If these income subtraction amounts exceed the income add backs, the total is a negative amount.
- If the total is a negative amount, print **L** in the box at the right of label **A** in the tax return.

The following example will help you complete the PSI details in your tax return. The entity in the example is not conducting a PSB.

Example 12: income of the partnership comprises PSI which is attributed to one of the partners.

A partnership derives income under a contract from the personal services of its 2 partners, A and B. However, the income is predominantly derived by the efforts of partner A and is therefore the PSI of partner A.

The partnership's profit and loss statement is as follows:

- **Income** (PSI of partner A): $100,000
- *less* **Expenses:**
  - Rent for home that is a place of business: $5,000

  - Other expenses (all deductible) $55,000
  - Total expenses $60,000
- **Net profit** $40,000

The business is conducted from the home of partner A. The rent paid for partner A's home used as a place of business is not deductible under the alienation of PSI provisions.

The net profit amount from the profit and loss statement (together with the amount representing the non-deductible rent expense) becomes the net PSI of partner A and will be attributed for income tax purposes.

The information is then entered as follows at item **5 Business income and expenses** in the *Partnership tax return 2024*.

Income:

- Other business income label **H**: $100,000
- Total business income: $100,000

(It is assumed the income is non-primary production income.)

Expenses:

- Rent expenses label **H**: $5,000
- All other expenses label **N**: $55,000
- Total expenses label **O**: $60,000

Reconciliation items:

Add:

- Income reconciliation adjustments: attributed income label **A**: $45,000 (L) This figure is a loss and is deducted from the net income figure.

Add:

- Expense reconciliation adjustments: rent label **B**: $5,000
- Net income or loss from business labels **R** and **S**: $0
- Item **15 Total of items 5 to 14** (assuming no other amounts in items **6** to **14** are relevant to the tax return): $0
- Item **20 Net Australian income or loss** (assuming no other amounts in items **16** to **18** are relevant to the tax return): $0

Treatment of net PSI loss on your income tax return

The net PSI loss must be transferred to the individual who generated the PSI. You can't use this loss against any other business income, or carry forward the loss.

The individual can claim this loss as a deduction in their individual tax return. If the individual does not have enough other income in that year to offset the loss, the individual may carry this loss forward under the carried forward loss rules.

Include the net PSI loss amounts in the amount shown at item **5** – label **B Expense reconciliation adjustments**, as calculated in Worksheet 1.

For more information, see:

- Personal services income
- Taxation Ruling TR 2022/3 *Income tax: personal services income and personal services businesses*
- Taxation Ruling TR 2003/6 *Income tax: attribution of personal services income*
- Taxation Ruling TR 2003/10 *Income tax: deductions that relate to personal services income*

Taxation of financial arrangements – items 31 and 32

Instructions to complete items 31 and 32 in the partnership tax return relating to taxation of financial arrangements.

In this section

31 Taxation of financial arrangements (TOFA)

32 Non-concessional MIT income

31 Taxation of financial arrangements (TOFA)

The key provisions of the TOFA rules are found in Division 230 of the ITAA 1997, which generally provides for:

- methods of taking into account gains and losses from financial arrangements, being
  - accruals and realisation
  - fair value
  - foreign exchange retranslation
  - hedging
  - reliance on financial reports
  - balancing adjustment
- the time at which the gains and losses from financial arrangements will be brought to account.

The TOFA rules apply to the following partnerships:

- authorised deposit-taking institutions, securitisation vehicles and financial sector entities with an aggregated annual turnover of $20 million or more
- managed investment schemes, or entities with a similar status under foreign law relating to corporate regulation with assets of $100 million or more
- any other partnership which satisfies one or more of the following
  - an aggregated turnover of $100 million or more
  - assets of $300 million or more
  - financial assets of $100 million or more.

An entity that does not meet these requirements can elect to have the TOFA rules apply to it.

The aggregated turnover tests may mean that the TOFA rules will apply to partnerships that don't meet the thresholds in their own right. Aggregated turnover includes the annual turnover of any entity a partnership is connected with, or any affiliate of the partnership (including overseas entities).

Once the TOFA rules apply to a partnership, they will continue to apply to that partnership, even if its aggregated turnover, value of assets or value of financial assets subsequently falls below the requisite threshold.

There are a number of elections available to partnerships under the TOFA rules. Elections under the TOFA rules are irrevocable, and should be carefully considered before being made.

For more information, see Guide to the taxation of financial arrangements (TOFA).

Total TOFA gains

Show at label **M** the partnership's total assessable TOFA gains from financial arrangements.

Total TOFA losses

Show at label **N** the partnership's total deductible TOFA losses from financial arrangements.

Ensure you take into account at labels **M** and **N** any amount for a TOFA financial arrangement that you have shown elsewhere such as:

- item **5** – label **S Net income or loss from business**
- item **8** – label **A**, **Z**, **S**, **B**, **R or T Partnerships and trusts**
- item **9** – label **G Interest deductions**
- item **11** – label **J Gross interest**
- item **12** – label **K Unfranked dividend amount**
- item **14** – label **O Other Australian income**
- item **18** – label **Q Other deductions**
- item **23** – label **B Gross other assessable foreign source income**.

32 Non-concessional MIT income

An MIT is a managed investment trust, and an amount is non-concessional MIT income (NCMI) if it is any of the following:

- MIT cross staple arrangement income
- MIT trading trust income
- MIT agricultural income, or
- MIT residential housing income.

Business income

Instructions to complete the primary and non-primary production amounts of business income.

Primary production

Complete the following:

- Non-concessional MIT income (NCMI)
- Excluded from NCMI.

Non-concessional MIT income (NCMI)

Show at label **A** the total NCMI amount in relation to primary production income, for example, income attributable to agricultural land held for rent.

Excluded from NCMI

Show at label **B** the total *Excluded from NCMI* amount in relation to primary production income, that is, income from transitional arrangements or approved economic infrastructure facilities.

Amounts you show at label **A** and **B** must be shown at item **5 Income**– label **G Other business income**.

Non-primary production

Complete the following:

- Non-concessional MIT income (NCMI)
- Excluded from NCMI

Non-concessional MIT income (NCMI)

Show at label **C** the total NCMI amount in relation to non-primary production income, that is, cross staple income, trading trust income and residential housing income.

Excluded from NCMI

Show at label **D** the total *Excluded from NCMI* amount in relation to non-primary production income, that is, income from transitional arrangements or approved economic infrastructure facilities.

Amounts you show at labels **C** and **D** must be shown at item **5 Income** – label **H Other business income**.

Partnerships and trusts

Instructions to complete the primary and non-primary production amounts of business income.

Primary production

Complete the following:

- Non-concessional MIT income (NCMI)
- Excluded from NCMI
- Non-concessional MIT income (NCMI)
- Excluded from NCMI

Non-concessional MIT income (NCMI)

Show at label **E** the total NCMI amount distributed from partnerships categorised as primary production income.

Excluded from NCMI

Show at label **F** the total *Excluded from NCMI* amount distributed from partnerships categorised as primary production income.

Amounts you show at label **E** and **F** must be shown at item **8** – label **A Distribution from partnerships**.

Non-concessional MIT income (NCMI)

Show at label **G** the total NCMI amount distributed from a trust categorised as primary production income.

Excluded from NCMI

Show at label **H** the total *Excluded from NCMI* amount distributed from trusts categorised as primary production income.

Amounts you show at label **G** and **H** must be shown at item **8** – label **Z Share of net income from trusts**.

Non-primary production

Complete the following:

- Non-concessional MIT income (NCMI)
- Excluded from NCMI
- Non-concessional MIT income (NCMI)
- Excluded from NCMI

Non-concessional MIT income (NCMI)

Show at label **I** the total NCMI amount distributed from partnerships categorised as Non-primary production.

Excluded from NCMI

Show at label **J** the total *Excluded from NCMI* amount distributed from partnerships categorised as Non-primary production.

Amounts you show at **I** and label **J** must be shown at item **8** – label **B Distribution from partnerships, less foreign income**.

Non-concessional MIT income (NCMI)

Show at label **K** the total NCMI amount distributed from trusts categorised as Non-primary production.

Excluded from NCMI

Show at label **L** the total *Excluded from NCMI* amount distributed from trusts categorised as Non-primary production.

Amounts you show at label **K** and **L** must be shown at item **8** – label **R Share of net income from trusts, less capital gains, foreign income and franked distributions.**

If any NCMI capital gains or Excluded from NCMI capital gains amount was received during 2023–24, each partner must include their share of the capital gain or capital loss on their own tax return.

Key financial information – items 33 to 36

Instructions to complete items 33 to 36 in the partnership tax return relating to key financial information.

In this section

33 All current assets

34 Total assets

35 All current liabilities

36 Total liabilities

33 All current assets

Show at label **F** all current assets of the partnership, including cash on hand, short-term bills receivable, inventories and trade debtors include this amount as shown at item **42 Trade debtors**.

34 Total assets

Show at label **G** all of the partnership assets, including fixed, tangible and intangible assets, and all current assets from item **33 All current assets**.

35 All current liabilities

Show at label **I** the total obligations payable by the partnership in 2024–25. include the amount shown at item **43 Trade creditors**.

36 Total liabilities

Show at label **J** all the partnership liabilities, including other creditors and deferred liabilities, such as loans secured by mortgage and long-term loans. Include the amount from item **35 All current liabilities**.

Business and professional items – items 37 to 53

Instructions to complete items 37 to 53 in the partnership tax return relating to business and professional items.

In this section

37 Business name of main business

38 Business address of main business

39 Opening stock

40 Purchases and other costs

41 Closing stock

42 Trade debtors

43 Trade creditors

44 Total salary and wage expenses

45 Payments to associated persons

46 Fringe benefit employee contributions

47 Trading stock election

48 Aggregated turnover

49 Capital allowances

50 Small business entity simplified depreciation

51 National rental affordability scheme (NRAS) tax offset

52 Small business bonus deductions

53 Income tests

37 Business name of main business

Show the business name of the main business of the partnership. The business name of the main business activity should be consistent from year to year, except in the year of a name change or if it is no longer the main business.

If the business name is legally changed, send written advice of the change to us. For more information on how to update business details, see Update your details.

Show the current business name in the tax return.

38 Business address of main business

Show the street address of the main business. This is the place where most of the business decisions are made. Ensure that you include the postcode at label **A**.

Items **39** to **40** below reflect amounts that have been calculated for tax purposes.

39 Opening stock

Show at label **C** the total value of all trading stock on hand at the beginning of the income year or accounting period for which the partnership tax return is being prepared.

The amount shown by the partnership at label **C** is the calculated value for income tax purposes under section 70-40 of the ITAA 1997, or for small business entities using the simplified trading stock rules (subsection 328-295(1) of the ITAA 1997).

The opening value of an item of stock must equal its closing value in the previous year. If you did not have any trading stock in the previous year, the value of trading stock at the start of the year is zero. This might occur in the case of a new business, or in the first year you have trading stock.

Include motor vehicle floor plan stock and work in progress of manufactured goods.

Don't include any amount that represents opening stock of a business that started operations during the income year. Show this amount at item **5 Expenses** – label **E Cost of sales**.

40 Purchases and other costs

Show at label **B** the cost of direct materials used for manufacture, sale or exchange, in deriving the gross proceeds or earnings of the business.

Former STS taxpayers still using the STS accounting method

If the partnership is eligible and has chosen to continue using the STS accounting method, only show at label **B** purchases and other costs which the partnership has paid. See Continue use of the STS accounting method.

41 Closing stock

If the partnership is a small business entity choosing to use the simplified trading stock rules, see Small business entities.

Otherwise, go to All other businesses.

Small business entities

Small business entities only need to account for changes in the value of trading stock if the value of stock on hand at the start of the income year and a reasonable estimate of the value of stock on hand at the end of the income year varies by more than $5,000.

For more information on 'reasonable estimate', see Simplified trading stock rules.

Small business entities who wish to do so can still conduct a stocktake and account for changes in the value of trading stock.

If the difference between the value of opening stock and a reasonable estimate of closing stock is more than $5,000, the partnership must account for the change in the value of trading stock, go to step 2. If the difference is not more than $5,000, go to step 1.

Step 1: difference between the value of opening stock and estimate of closing stock less than $5,000

If the difference referred to above is $5,000 or less and the partnership chooses not to account for this difference, the closing stock value at label **D** is the same as the value at item **39** – label **C**. Don't put the reasonable estimate at label **D**.

Print in the **CODE** box at label **D** the code letter from **Table 6** that matches the code the partnership used to value closing stock in the previous year.

Table 6: Codes of valuation method

Code	Valuation method
C	Cost
M	Market selling value
R	Replacement value

If this is the partnership's first year in business, the value of the closing stock in the previous year will be zero; print **C** in the **CODE** box. You have finished this question.

Step 2: difference between the value of opening stock and estimate of closing stock more than $5,000

If the difference referred to above is more than $5,000 or the partnership chooses 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 instructions on how to calculate the value of closing stock, see the information for All other businesses.

The partnership must include in the closing stock value at label **D** the value of all stock on hand, regardless of whether the partnership has paid for the stock.

All other businesses

Show at label **D** the total value of all trading stock on hand at the end of the income year or accounting period for which the partnership tax return is being prepared. The amount at label **D** is the value calculated for income tax purposes under section 70-45 of the ITAA 1997.

If the partnership is registered for GST or required to be registered for GST, the value of closing stock (other than items the supply of which was not a taxable supply) should not include an amount equal to the input tax credit that would arise if the partnership had acquired the item solely for business purposes at the end of the income year. Some items of trading stock (such as shares) are not subject to GST, meaning there will be no input tax credits to consider.

Include motor vehicle floor plan stock and work in progress of manufactured goods.

Don't include any amount for closing stock of a business that ceased operations during the income year; show this amount at item **5** – label **Total business income**.

Print in the **CODE** box the code from **Table: Determine where salary and wages have predominantly been reported** indicating the method used to value closing stock for income tax purposes. If you use more than one method, use the code for the method representing the greatest value.

You can use different methods to value the same item of trading stock in different income years, and you can value similar items using different methods in the same income year.

However, the opening value of an item in a particular income year must equal the closing value for that item in the previous income year. The partnership can't reduce the value of stock on hand by creating reserves to offset falls in the value of stock or any other factors. Keep records showing how each item was valued.

The partnership may elect to value an item of trading stock below the lowest value calculated by any of these methods because of obsolescence or other special circumstances, but the value in the election must be reasonable. If you elect to value an item of trading stock below cost, market selling value and replacement value, see item **47 Trading stock election**.

If you include incorrect trading stock information in the tax return, advise us by submitting a full statement of the facts, accompanied by a reconciliation of the value of stock as returned for each income year with the values permissible under the law.

Partnerships engaged in manufacturing include the value of partly manufactured goods as part of their stock and materials on hand at the end of the income year.

For information on the circumstances in which packaging items held by a manufacturer, wholesaler or retailer are 'trading stock' as defined in section 70-10 of the ITAA 1997, see Taxation Ruling TR 98/7 *Income tax: whether packaging items (ie, containers, labels etc) held by a manufacturer, wholesaler or retailer are trading stock*.

Items **42** and **43** below reflect amounts calculated for accounting purposes.

42 Trade debtors

Show at label **E** the total amounts owing to the partnership at year end for goods and services provided during the income year, that is, current trade debtors.

Include this amount at item **33 All current assets**.

43 Trade creditors

Show at label **H** the total amounts owed by the partnership at year end for goods and services received during the income year, that is, current trade creditors.

Include this amount at item **35 All current liabilities**.

Items **44** and **45** below reflect amounts that have been calculated for tax purposes.

44 Total salary and wage expenses

Show at label **L** the total salary, wages and other labour costs actually paid or payable to persons employed in the partnership's business. However, exclude those costs for private domestic assistance or which form part of capital expenditure, as they are not deductible.

You can't deduct salary and wage expenses where you have not complied with your PAYG withholding obligations. See, Removing tax deductibility of non-compliant payments.

A partner can't be an employee of a partnership. You can't claim a deduction for partners' salaries, nor can partners' salaries create or increase a partnership loss. In reality, partners' salaries are an allocation or advancement of profits before general distribution and are not taken into account in calculating the net partnership income or loss. See, Taxation Ruling TR 2005/7 *Income tax: the taxation implications of 'partnership salary' agreements*.

You can only claim a deduction for a payment made or liability incurred by a partnership to an associated person, principal, agent, related entity or associate entity if it is incurred in producing assessable income and we are satisfied that the amount is reasonable.

These expenses include any salary and wage component shown at item **5** – label **E Cost of sales**, such as:

- allowances
- bonuses
- casual labour
- retainers and commissions paid to people who received a retainer
- workers' compensation paid through the payroll
- direct and indirect labour costs
- directors' fees
- holiday pay
- locums
- long service leave
- lump sum payments
- other employee benefits
- overtime
- payments under an incentive or profit-sharing scheme
- retiring allowances
- sick pay.

Include here and at item **45 Payments to associated persons** any salary or wages paid to an associated person, principal, agent, related entity or associate entity.

However, these expenses don't include:

- agency fees
- contract payments
- sub-contract payments
- service fees
- superannuation
- management fees
- consultant fees.

Print in the **CODE** box the code from **Table: Determine where salary and wages have predominantly been reported**.

Table: Determine where salary and wages have predominantly been reported

Section salary and wages were wholly or predominantly reported in	Code
The expense component of **Cost of sales**	C
All other expenses	A
The expense component of both **Cost of sales** and **All other expenses**	B
Neither **Cost of sales** nor **All other expenses**	O

45 Payments to associated persons

For partnerships, show at label **M** the amounts, including salaries, wages, commissions, superannuation contributions or allowances, paid to:

- a relative of a partner
- another partnership in which a relative is a partner
- a shareholder or director (or their relatives) of a private company that is a partner in the partnership
- a beneficiary (or a relative of a beneficiary) of a trust where the trustee is a partner in the partnership.

Don't show at label **M** the amounts paid to a partner in the partnership.

Also, include the amounts of salaries and wages paid to an associated person, relative, principal, agent, related entity or associate entity at item **44 Total salary and wage expenses**.

Record keeping

Excessive payments to a relative or other related entity may not be deductible (see section 26-35 of the ITAA 1997). Keep a record of the following to establish the reasonableness of remuneration:

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

46 Fringe benefit employee contributions

Show at label **T** all the payments the partnership has received from recipients of fringe benefits.

Employee contributions form part of the employer's or associate's assessable income in situations where employees make payments for fringe benefits they have received.

47 Trading stock election

The partnership may elect to value an item of trading stock below the lowest value of cost, market selling value, or replacement value because of obsolescence or any other special circumstances. However, the value it elects must be reasonable. For more information on trading stock valuations where obsolescence or other special circumstances exist, see Taxation Ruling TR 93/23 *Income tax: valuation of trading stock subject to obsolescence or other special circumstances*.

If the partnership makes an election, print **X** in the **Yes** box at this item. Otherwise, print **X** in the **No** box.

48 Aggregated turnover

Complete the following in item **48**:

- Select your aggregated turnover range
- Aggregated turnover

Select your aggregated turnover range

You must complete item **48** – label **U** if the partnership will, or a partner in the partnership may reasonably be expected to, rely on the partnership's aggregated turnover for eligibility for any of the following:

- Instant asset write-off
- Small business CGT concessions
- Small business restructure roll-over
- Small business skills and training boost
- Small business energy incentive.

From the table below:

- select your category based on your aggregated annual turnover
- write the category code at label **U.**

Use either your 2023–24 aggregated turnover or your 2022–23 aggregated turnover to select your aggregated turnover range. For more information, see Satisfying the aggregated turnover threshold.

Table: Aggregated annual turnover range and category

Category	Aggregated annual turnover range

A	$0 to less than $7.5 million
B	$7.5 million to less than $10 million
C	$10 million to less than $20 million
D	$20 million to less than $40 million
E	$40 million to less than $50 million
F	$50 million to less than $100 million
G	$100 million to less than $200 million
H	$200 million to less than $300 million
I	$300 million to less than $400 million
J	$400 million to less than $500 million
K	$500 million to less than $600 million
L	$600 million to less than $700 million
M	$700 million to less than $800 million
N	$800 million to less than $900 million
O	$900 million to less than $1 billion
P	$1 billion or over

You will not be penalised for specifying an incorrect category where you make your best attempt to calculate your aggregated turnover.

For more information, see Calculate your aggregated turnover.

Aggregated turnover

Did you have aggregated turnover of $1 billion or more, or are you a significant global entity?

No – Go to item **49**.

Yes – Show at label **V Aggregated turnover** your actual aggregated turnover rounded to the nearest $100 million. Use either your 2023–24 or your 2022–23 aggregated turnover.

For more information, see Satisfying the aggregated turnover threshold.

You will not be penalised for specifying an incorrect amount where you make your best attempt to calculate your aggregated turnover.

49 Capital allowances

Are you a small business using the simplified depreciation rules?

- **No** – Go to Depreciating assets first deducted in this income year.
- **Yes** – You have finished this question. Go to item 50 Small business entity simplified depreciation.

Depreciating assets first deducted in this income year

Complete the following:

- Intangible depreciating assets first deducted
- Other depreciating assets first deducted
- Self-assessment of effective life

Intangible depreciating assets first deducted

Show at label **A** the cost of all intangible depreciating assets for which the partnership is claiming a deduction for decline in value for the first time.

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 of these
- computer software, or a right to use computer software, that the partnership acquires, develops or has someone else develop for its own use (that is, in-house software)
- mining, quarrying or prospecting rights and information
- spectrum licences
- certain indefeasible rights to use telecommunications cable systems (IRUs)
- some access rights to telecommunications sites.

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

If the partnership has allocated any intangible depreciating assets with a cost of less than $1,000 to a low-value pool for the income year, also include the cost of those assets at label **A**. Don't reduce the cost for estimated non-taxable use.

Expenditure on in-house software which has been allocated to a software development pool is not included at label **A**.

For more information on decline in value, cost, low-value pools, in-house software and software-development pools, see the Guide to depreciating assets 2024.

Other depreciating assets first deducted

A depreciating asset the partnership holds starts to decline in value from the time the partnership uses it (or installs it ready for use) for any purpose. However, the partnership

can only claim a deduction for the decline in value to the extent it uses the asset for a taxable purpose, such as for producing assessable income.

Show at label **B** the cost of all depreciating assets (other than intangible depreciating assets) for which the partnership is claiming a deduction for the decline in value for the first time.

If any assets (other than intangible depreciating assets) costing less than $1,000 have been allocated to a low-value pool for the income year, also include the cost of those assets at **B**.

For information on decline in value, cost and low-value pools, see the Guide to depreciating assets 2024.

For more information, see Record keeping for capital expenses.

Don't reduce the cost for any estimated non-taxable use.

Self-assessment of effective life

For most depreciating assets, you can choose to:

- work out the effective life yourself (self-assess), or
- adopt the Commissioner's determination in Taxation Ruling TR 2022/1 *Income tax: effective life of depreciating assets (applicable from 1 July 2022)*.

Have you self-assessed the effective life of any of your depreciating assets?

- **No** – Print **X** in the **No** box at label **C**, as you have adopted the Commissioner's effective life determination for all your depreciating assets.
- **Yes** – Print **X** in the **Yes** box at label **C**, as you have self-assessed the effective life of one or more of your depreciating assets.

For all depreciating assets

Complete the following:

- Recalculation of effective life
- Total adjustable values at end of income year
- Assessable balancing adjustments on the disposal of intangible depreciating assets
- Deductible balancing adjustments on the disposal of intangible depreciating assets
- Termination value of intangible depreciating assets
- Termination value of other depreciating assets
- Subsequent year accelerated depreciation deductions for assets using Backing business investment
- Deduction for project pool
- Section 40-880 deduction

Recalculation of effective life

You may recalculate the effective life of assets in certain circumstances if the effective life you have been using is no longer accurate. There are also circumstances where you must recalculate the effective life of a depreciating asset.

Have you recalculated the effective life of any of your depreciating assets in 2023–24?

- **No** – Print **X** in the **No** box at label **D**.
- **Yes** – Print **X** in the **Yes** box at label **D**.

Total adjustable values at end of income year

At label **E**, show the total of the adjustable values of your depreciating assets as at the end of 2023–24. This is the value of all assets' costs (first and second elements) less any decline in value up to that time, or the closing value of all assets.

If you allocated any assets with a cost of less than $1,000 to a low-value pool, **don't** include the adjustable values of those assets at label **E Total adjustable values at end of income year**.

Assessable balancing adjustments on the disposal of intangible depreciating assets

At label **F**, show the total assessable income you have from balancing adjustment events on the disposal of intangible depreciating assets that occurred in 2023–24. This type of assessable income may arise if – for example, you disposed of a depreciating asset for more than its adjustable value. If you did not have any assessable balancing adjustment amount in 2023–24, leave label **F** blank. For more information, see Appendix 6.

If you have allocated assets with a cost of less than $1,000 to a low-value pool, **don't** include the assessable balancing adjustments for these assets at label **F Assessable balancing adjustments on the disposal of intangible depreciating assets**.

Deductible balancing adjustments on the disposal of intangible depreciating assets

At label **G**, show the total deductible amount you have from balancing adjustment events on the disposal of intangible depreciating assets that occurred in 2023–24 (this type of deduction may arise if, for example, you disposed of a depreciating asset for less than its adjustable value). If you did not have any deductible balancing adjustment amount in 2023–24, leave label **G** blank. For more information, see Appendix 6.

If you have allocated assets with a cost of less than $1,000 to a low-value pool, **don't** include the assessable balancing adjustments for these assets at label **G Deductible balancing adjustments on the disposal of intangible depreciating assets**.

Termination value of intangible depreciating assets

Show at label **H** the termination value of each balancing adjustment event occurring for intangible depreciating assets to which the UCA rules applied, including assets allocated to a low-value pool.

Don't show at label **H** any termination value for in-house software for which the partnership has allocated expenditure to a software- development pool.

The relevant law states that a balancing adjustment event occurs if:

- you stop holding the asset, or
- you stop using it and expect never to use it again, or
- you have not used it and you decide never to use it.

A balancing adjustment event may occur if the partnership claimed temporary full expensing for an asset, on either the cost of acquisition or improvements in 2020–21, 2021–22 or 2022–23. If so, the partnership will need to calculate a balancing adjustment amount.

Any non-taxable use of an asset in an income year after the year in which temporary full expensing has been claimed will not reduce balancing adjustment amounts for balancing adjustment events happening after the claim year.

For more information, see Balancing adjustment event.

Generally, the termination value is the amount the partnership receives or is deemed to receive for the balancing adjustment event. It includes the market value of any non-cash benefits, such as goods and services the partnership receives for the asset.

For more information on balancing adjustment events, termination value, in-house software and software development pools, see Guide to depreciating assets 2024.

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

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

This special balancing adjustment event is not triggered with respect to partnerships using the simplified depreciation rules, other than for those depreciating assets that are excluded from the simplified depreciation rules. For those other depreciating assets, the event may still be triggered if temporary full expensing has been claimed with respect to that asset.

If this special balancing adjustment event is triggered:

- the partnership is treated as though it had ceased to hold the asset and the termination value of the asset will be equal to its market value at that time, resulting in the temporary full expensing deduction being clawed back to the extent of the assets then market value, and
- the first element of cost is modified so that the first element of cost of the asset is the asset's termination value at the time of the event, such that though the partnership may not thereafter work out the decline in value for that asset using temporary full expensing, the partnership might, in a later income year, be entitled to claim other capital allowances it is entitled to for that asset (for example, under the general capital allowances rules for the proportion of business use). The partnership may not claim a deduction for the asset under the general capital allowance rules in the same year as the special balancing adjustment event.

For information on record keeping, see Record keeping for capital expenses.

Termination value of other depreciating assets

Show at label **I** the termination value of each balancing adjustment event occurring for depreciating assets, including assets allocated to a low-value pool.

Don't show at label **I** any consideration received during the income year for:

- depreciating assets allocated in a prior year to a general small business pool (including assets reallocated to the general small business pool from a former long-life small business pool)
- intangible depreciating assets
- buildings or structures for which a deduction is available under the capital works provisions
- assets used in research and development (R&D) activities, or
- assets falling within the provisions relating to investments in Australian films.

A balancing adjustment event occurs if the partnership stops holding or using a depreciating asset and expects never to use it again, or decides not to use it in the future, for example, assets sold, lost or destroyed. Generally, the termination value is the amount the partnership receives or is deemed to receive for the balancing adjustment event. It includes the market value of any non-cash benefits, such as goods and services the partnership receives for the asset.

A balancing adjustment event may occur if the partnership claimed temporary full expensing for an asset, on either the cost of acquisition or improvements in 2020–21, 2021–22 or 2022–23. If so, the partnership will need to calculate a balancing adjustment amount.

Any non-taxable use of an asset in an income year after the year in which temporary full expensing has been claimed will not reduce balancing adjustment amounts for balancing adjustment events happening after the claim year. See Working out your deduction (temporary full expensing) for more information.

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

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

This special balancing adjustment event is not triggered with respect to partnerships using the simplified depreciation rules, other than for those depreciating assets that are excluded from the simplified depreciation rules. For those other depreciating assets, the event may still be triggered if temporary full expensing has been claimed with respect to that asset.

If this special balancing adjustment event is triggered:

- the partnership is treated as though it had ceased to hold the asset and the termination value of the asset will be equal to its market value at that time, resulting in the temporary full expensing deduction being clawed back to the extent of the assets then market value; and
- the first element of cost is modified so that the first element of cost of the asset is the asset's termination value at the time of the event, such that though the partnership may not thereafter work out the decline in value for that asset using temporary full expensing, the partnership might in a later income year, be entitled to claim other capital allowances it is entitled to for that asset (for example, under the general capital allowances rules for the proportion of business use). The partnership may not claim a

deduction for the asset under the general capital allowance rules in the same year as the special balancing adjustment event.

For more information on balancing adjustment events and termination value, see Guide to depreciating assets 2024.

Subsequent year accelerated depreciation deductions for assets using Backing business investment

If you used the Backing business investment – accelerated depreciation in 2019–20 or 2020–21 for one or more assets, show at label **N** the amount of depreciation you are claiming in 2023–24 for those assets.

Deduction for project pool

Show at label **J** the partnership's deductions for project pools. For more information, see Appendix 6.

Section 40-880 deduction

Show at label **K** the total of the partnership's deductions allowable under section 40-880 of the ITAA 1997. For more information, see Appendix 6.

For more information on deductions you can claim for depreciating assets and other capital expenditure, see Guide to depreciating assets 2024.

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

50 Small business entity simplified depreciation

Complete this item only if the partnership is a small business entity using the simplified depreciation rules.

Complete the following labels:

- Deduction for certain assets (costing less than the relevant instant asset write-off threshold)
- Deduction for general small business pool

To complete this item, use the amounts the partnership calculated for small business entity depreciation deductions in Worksheet: Small businesses using simplified depreciation for item **5** – label **K Depreciation expenses.**

Deduction for certain assets (costing less than the relevant instant asset write-off threshold)

Transfer the deduction for certain assets at row **a** in Worksheet: Small businesses using simplified depreciation to item **50** – label **A Deduction for certain assets**. Don't show cents.

Deduction for general small business pool

Add up the general small business pool amounts at rows **b** and **c** in Worksheet: Small businesses using simplified depreciation. Write the total at item **50** – label **B Deduction for general small business pool**.

51 National rental affordability scheme (NRAS) tax offset

Partnerships participating in the NRAS may claim their share of the refundable tax offset in their tax return.

The refundable tax offset is only available where the Housing Secretary from the Department of Social Services has issued a certificate under the NRAS. In order to claim the offset in 2023–24, the NRAS certificate must relate to the NRAS year from 1 May 2023 to 30 April 2024.

Show the partners' share of the NRAS tax offset at both:

- item **51** – label **F**
- item **54 Statement of distribution** – label **I**.

The amount of the entity's tax offset is the amount stated in the certificate issued by the Secretary of the Department of Social Services. However, if the Secretary issues the entity with an amended certificate under the National Rental Affordability Scheme Act 2008, the amount of the entity's tax offset is the amount stated in the amended certificate.

52 Small business bonus deductions

Complete this item if the partnership is a small business (with an aggregated annual turnover of less than $50 million) claiming either or both the:

- small business skills and training boost
- small business energy incentive.

For more information, see Appendix 16.

You need the amounts you calculated as bonus deductions in Worksheet 1 and claimed as an expense subtraction in item **5**.

Write at label **A Small business skills and training boost** the total bonus amount you claimed at item **5** relating to the small business skills and training boost. This is the total amount from row **x** in Worksheet 1.

Write at label **C Small business energy incentive** the total amount you claimed at item **5** relating to the small business energy incentive. This is the total amount from row **y** in Worksheet 1.

53 Income tests

Income tests are used to work out an individual's eligibility for certain tax offsets and determining other obligations, such as:

- Your study and training support loan repayment income, which applies to the:
  - Higher Education loan Program (HELP)
  - Vocational Education and Training (VET) Student Loan
  - Student Financial Supplement Scheme repayments (SFSS)
  - Student Start-up loan repayments (SSL)
  - Australian Apprenticeship Support Loan (AASL) – formerly Trade Support Loan (TSL)
  - ABSTUDY Student Start-up loan repayments (ABSTUDY SSL)

- Super co-contributions
- Medicare levy surcharge.

Income test information is also used by other agencies, such as Services Australia, to work out eligibility for other government benefits and obligations.

The income tests require the individual (where applicable) to provide their net financial investment loss and net rental property loss in their income tax return.

The individual's net financial investment loss and net rental property loss includes any financial investment income or loss and any rental property income or loss received as part of an overall distribution from a partnership.

The information provided at items **53** and **54 Statement of distribution** will assist each partner to complete their income test information in their individual income tax return.

Complete the following:

- Net financial investment income or loss
- Net rental property income or loss

Net financial investment income or loss

If the partnership received income or claimed deductions during 2023–24, then work out the net income or loss from financial investments and show it at label **G**.

Financial investments for income test purposes include the following:

- Shares in a company
- an interest in a managed investment scheme, including a forestry managed investment scheme (FMIS)
- rights or options in respect of any shares or interests in a company, managed investment scheme or FMIS
- distributions from a partnership that included income or losses from an investment listed above
- any investment that is of a similar nature to those listed above.

Don't include any of the following when calculating the partnership's net financial investment income or loss:

- interest from everyday transactions accounts
- capital gains
- capital losses.

Managed investment schemes

The investment manager will be able to tell you whether your investment is a managed investment scheme, that is, a scheme registered under the Corporations Act 2001.

Managed investment schemes include:

- cash management trusts
- property trusts

- Australian equity (share) trusts
- international equity trusts
- agricultural schemes, which include horticultural, aquaculture and commercial horse-breeding schemes
- some film schemes
- some time-share schemes
- some mortgage schemes
- actively managed strata title schemes.

Investments that are **not** managed investments schemes include:

- regulated superannuation funds
- approved deposit funds
- debentures issued by a body corporate
- barter schemes
- franchises
- direct purchases of shares or other equities
- schemes operated by an Australian bank in the ordinary course of banking business, such as term deposits.

Rights and options

To work out the partnership's financial investment income or loss, you need to include income and deductions from rights and options the partnership holds over shares in companies and interests in managed investment schemes or FMISs. Rights and options include:

- warrants
- futures contracts.

For more information on financial investments and income tests, see Income tests.

Deductions

Allowable deductions the partnership can claim for an investment include (but are not limited to) expenses paid to:

- borrow money to purchase an investment
- manage investments
- obtain advice about changes to the mix of investments.

The expenses should be taken into account only to the extent that they are attributable to the partnership's financial investments.

Answering this question

To complete item **53** – label **G Net financial investment income or loss** follow the steps below.

Step 1: calculate the net financial investment income or loss

Use example 12 and the Worksheet to list the partnership income and deductions from financial investments, then calculate the net financial investment income or loss.

Step 2: include the net financial investment income or loss at label G

Write the result from step 1 at label **G**. If the amount is a loss, write **L** in the box on at the right of label **G**.

Step 3: include each partner's share at item 54

Write each partner's share of the net financial investment income or loss at item **54** – label **J**. If the amount at label **J** is a loss, print **L** in the box at the right of the amount.

Example 13: net financial investment income or loss

The XYZ partnership has a share portfolio. The partnership's total dividend income for the income year is $7,000 from Australian shares, all of which are unfranked. The partnership claimed interest expenses of $4,300 on the money borrowed to purchase the Australian shares.

During the income year, XYZ also received income from a cash management trust (managed investment scheme), an FMIS, and dividends from foreign shares. XYZ completed the partnership tax return questions as follows:

- item **8** – label **R**: $400 from non-primary production distribution from cash management trust (managed investment scheme)
- item **12** – label **K**: $7,000 income from Australian shares
- item **10** – label **Q**: $1,200 from FMIS income
- item **23** – label **B**: $1,230 income from gross dividends from foreign shares.

This example uses only the income for the financial investments. In many cases, the financial investment income is only part of the income shown at particular items.

XYZ incurred expenses against the financial investment income and showed deductions at the following items:

- item **8** – label **T**: $2,500 for expenses for the cash management trust
- item **16** – label **P**: $4,300 for interest on money borrowed to purchase Australian shares
- item **17** – label **D**: $2,600 deductions for the FMIS
- item **18** – label **Q**: $3,000 as the interest expense on money borrowed to purchase the foreign shares was $3,000.

In addition to the above, XYZ received $300 as a share of net financial investment income from the ABC partnership. The $300 was shown at item **54** – label **J** on the statement of distribution for the ABC partnership tax return.

XYZ's net financial investment income or loss is the difference between the financial investment income and deductions, plus the net financial investment income from the ABC partnership.

Worksheet: Working out the partnership's net financial investment income or loss

Use the worksheets below to work out the partnership's net financial investment income or loss:

- Worksheet: Financial investment income calculation
- Worksheet: Financial investment deductions calculation
- Worksheet: Net financial investment income or loss calculation

Worksheet: Financial investment income calculation

Row	Financial investment income	XYZ Partnership $	This partnership $
a	Managed investment scheme income included at item **8** – label **R**	400	$
b	FMIS income included at item **10** – label **Q**	1,200	$
c	Dividends from Australian shares shown at item **12** – label **K** **Unfranked amount**	7,000	$
d	Dividends from Australian shares shown at item **12** – label **L** **Franked amount**	$	$
e	Dividends from Australian shares shown at item **12** – label **M** **Franking credit**	$	$
f	Gross dividend income from foreign companies and gross income from foreign managed investment schemes, shown at item **23** – label **B**	1,230	$
g	Any other income from a financial investment (other than the partnership's share of net financial investment income or loss from other partnerships shown on the statement of distribution from the other partnership)	$	$
h	Add up values in rows **a** to **g**.	9,830	$

Worksheet: Financial investment deductions calculation

Row	Financial investment deductions	XYZ Partnership $	This partnership $
i	Deductions relating only to the managed investment scheme income you have included at item **8** – label **T**	2,500	$
j	Deductions relating to Australian investment income where the investment type is included in definition of financial investment shown at item **16** – label **P**	4,300	$
k	FMIS deductions you have shown at item **17** – label **D**	2,600	$
l	Dividend deductions from foreign companies and deductions for foreign managed investment scheme income (other than debt type deductions you have shown at item **18** – label **Q**) you used to calculate the combined net foreign dividend and net foreign managed investment scheme amount shown at item **23** – label **V**	$	$
m	Any other deductions relating to a financial investment (including deductions you have shown at item **18** – label **Q**)	3,000	$
n	Add up values in rows **i** to **m**.	12,400	$

Worksheet: Net financial investment income or loss calculation

Row	Net financial investment income or loss	XYZ Partnership $	This partnership $
o	Subtract row **n** value from row **h** value. Show a loss as negative.	−2,570	$
p	If applicable, write your partnership's share of net financial investment income or loss from other partnerships shown on the statement of distribution from the other partnership. If it is a loss, write as a negative number.	300	$
q	Add up values in rows **o** and **p**. Show a loss as negative.	−2,270	$

The amount at row **q** is the partnership's net financial investment income or loss. Write this amount at item **53** – label **G**. If the amount is a loss, write **L** in the box on the right-hand side of label **G**.

Once you have shown the net financial investment income or loss at item **53**, you also need to show each partner's share of the financial investment income or loss at item **54** – label **J**. If the amount at label **J** is a loss, print **L** in the box at the right of the amount.

Net rental property income or loss

Show at item **53** – label **H** the amount of the partnership's net income or loss from rental properties. When calculating the partnership's net rental property income or loss, you need to consider Australian rent, foreign rent, and net rental income or loss distributed from other partnerships.

Net rental property losses occur when the amount of allowable deductions you claim for the partnership's rental properties is greater than the gross rental income the partnership receives.

Capital gains or losses made in regard to a rental property are not included in the partnership's net rental property income or loss.

If the partnership earned rental income or claimed rental deductions, you must complete item **53** – label **H** and item **54** – label **K** showing each partner's share of net rental property income or loss.

Answering this question

To complete item **53** – label **H Net rental property income or loss** follow the steps below.

Before completing this question, you must report your net rental loss or gain at item **9 Rent** and item **23 Other assessable foreign source income**.

Step 1: calculate the net rental property income or loss

Use the worksheet below to list all rental income and deductions and then calculate the net rental property income or loss. Write a loss as a negative number.

Step 2: include the step 1 amount at item 53 – label H

Write the result from step 1 at item **53** – label **H**.

Step 3: include each partner's share at item 54

Write each partner's share of net rental property income or loss at item **54** – label **K**.

Worksheet: Net rental property income or loss

Row	Calculation element	Amount $
a	Net rental property income shown at item 9 Rent. Show a loss as a negative number.	$
b	Net foreign rental property income or loss included at item **23** Other assessable foreign source income – label **V**. Show a loss as a negative number.	$
c	If applicable, write your partnership's share of net rental property income or loss from other partnerships shown on the statement of distribution from the other partnership. Show a loss as a negative number.	$
d	Add up values in rows **a** to c.	$

Row	Calculation element	Amount $
e	Any other deductions relating to a rental property (including deductions at item **18** – label **Q**)	$
f	Subtract row **e** away from row **d**. Show a loss as negative number.	$

Show the amount at row **f** at item **53** – label **H**. If the amount is a loss, write **L** in the box at the right of the amount.

Once you have shown the net rental property income or loss at item **53**, you also need to show each partner's share of the net rental property income or loss at item **54 Statement of distribution** – label **K**.

Statement of distribution – item 54

Instructions to complete item 54 statement of distribution in the partnership tax return.

In this section

What to include in the statement of distribution

More than 3 partners

Completing the statement of distribution

What to include in the statement of distribution

The distribution statement must show only Australian source income or loss, as shown at item **20** in the partnership tax return.

If the following persons or entities are partners, and the partnership claimed a deduction in respect of a LIC capital gain amount, the partnership must advise these partners of their share of the deduction claimed:

- trustee of a trust
- trustee of a superannuation entity
- company, including a life insurance company
- partnership.

Each partner will show the distribution of the net Australian income or loss on their own tax return at the following:

- Individual – item **13 Partnerships and trusts** in the Supplementary tax return 2024
- Company – item **6 Calculation of total profit or loss** in the Company tax return 2024
- Trust – item **8 Partnerships and trusts** in the Trust tax return 2024, except for distributions of income subject to foreign resident withholding, which are shown at item **5 Business income and expenses**.

Don't show:

- capital gains
- attributed foreign income
- foreign source income
- foreign income tax offsets
- early stage venture capital limited partnership tax offset
- early stage investor tax offset

Each partner will show this income, credit or offset in their own tax return at the following:

- for an **individual** tax return
  - question **18 Capital gains**
  - question **19 Foreign entities**
  - question **20 Foreign source income and foreign assets or property**

  - question **T7 Early stage venture capital limited partnership**
  - question **T8 Early stage investor**
- for a **company** tax return
  - item **7 Reconciliation to taxable income or loss**
  - item **20 Foreign income tax offset**
  - item **22 Early stage venture capital limited partnership tax offset**
  - item **23 Early stage investor tax offset**
- for a **trust** tax return
  - item **21 Capital gains**
  - item **22 Attributed foreign income**
  - item **23 Other assessable foreign source income**
  - item **54 Non-refundable carry forward tax offsets**.

For more information, see Guide to capital gains tax 2024.

More than 3 partners

If the partnership has more than 3 partners, photocopy pages 10 and 11 of the tax return for each additional partner before filling them in.

Complete the copies showing the details of each additional partner.

Attach these to the tax return and print **X** in the **Yes** box at **Have you attached any 'other attachments'?** at the top of the tax return.

Completing the statement of distribution

Complete the statement of distribution with the following details:

- Partner details
- Share of income – primary production
- Share of income – non primary production
- Credit for tax withheld where ABN not quoted
- Franked distributions
- Franking credit
- TFN amounts withheld
- Share of credit for TFN amounts withheld from payments from closely held trusts
- Credit for tax withheld – foreign resident withholding (excluding capital gains)
- Australian franking credits from a New Zealand franking company
- Share of net small business income
- Share of National rental affordability scheme tax offset
- Share of net financial investment income or loss
- Share of net rental property income or loss
- Share of exploration credits
- Real and effective control of share in partnership income

Partner details

For each partner's individual statement of distribution, show the:

- individual name or non-individual name
- residential or business address
- TFN
- individual's date of birth
- non-individual's ABN.

Show the full name and TFN or ABN of each partner. If the TFN or ABN is not shown, show the partner's address. If the partner is a trustee, show the name and TFN of the trust.

Share of income – primary production

Show each partner's share of income in whole dollars only, for primary production income at label **A.**

If you showed an amount at item **32 Non-concessional MIT income (NCMI)**, complete:

- PP – NCMI
- PP – Excluded from NCMI

PP – NCMI

Show at label **A1** the total share of primary production NCMI for the relevant partner of the partnership.

The total amount distributed to all partners at label **A1** can't be greater than the total of **32A**, **32E** and **32G** at item **32 Non-concessional MIT income (NCMI)**.

PP – Excluded from NCMI

Show at label **A2** the total share of primary production income excluded from NCMI for the relevant partner of the partnership.

The total distributed to all partners at label **A2** can't be greater than the total of **32B**, **32F** and **32H** at item **32 Non-concessional MIT income (NCMI)**.

Share of income – non primary production

Show each partner's share of income in whole dollars only, for non-primary production income at label **B**.

While the partnership's non-primary production income includes franked distributions, for the purposes of recording partners' franked distributions in the distribution statements, franked distributions **should not** be included at label **B**. Franked distributions should be shown at label **L**.

If a loss is distributed, print **L** in the box at the right of the amount.

If you showed an amount at item **32 Non-concessional MIT income (NCMI)**, complete:

- Non-PP – NCMI
- Non-PP – Excluded from NCMI

Non-PP – NCMI

Show at label **B1** the total share of non-primary production NCMI for the relevant partner of the partnership.

The total amount distributed to all partners at label **B1** can't be greater than the total of **32C**, **32I** and **32K** at item **32 Non-concessional MIT income (NCMI)**.

Non-PP – Excluded from NCMI

Show at label **B2** the total share of non-primary production income excluded from NCMI for the relevant partner of the partnership.

The total amount distributed to all partners at label **B2** can't be greater than the total of items **32** – **labels D**,**J** and **L**.

Credit for tax withheld where ABN not quoted

Show at label **C** each partner's share of credit for amounts withheld where an ABN was not quoted. Show whole dollars only.

The aggregate of each amount shown at label **C** for each completed distribution statement equals the sum of any credit claimed at:

- item **6 Tax withheld where ABN not quoted** – label **T**
- item **8 Share of credit for tax withheld where ABN not quoted** – label **C**.

Franked distributions

Show at label **L** each partner's share of franked distributions (net of relevant expenses) and its share of the franking credits referable to those franked distributions (the franking credit 'gross-up') in whole dollars only.

Franking credit

Show at label **D** each partner's share of franking credits for franked dividends.

The aggregate of each amount shown at label **D** for each completed distribution statement must equal the sum of franking credits claimed at:

- item **8 Share of franking credits from franked distributions** – label **D**
- item **12 Franking credit** – label **M**.

TFN amounts withheld

Show at label **E** each partner's share of credit for amounts withheld from payments of interest, dividends and unit trust distributions by investment bodies because the recipient did not quote a TFN.

The aggregate of each amount shown at label **E** for each completed distribution statement must equal the sum of TFN amounts withheld on interest, dividends and unit trust distribution at:

- item **8 Share of credit for TFN amounts withheld from interest, dividends and unit trust distributions** – label **E**

- item **11 TFN amounts withheld from gross interest** – label **I**
- item **12 TFN amounts withheld from dividends** – label **N**.

Share of credit for TFN amounts withheld from payments from closely held trusts

Show at label **O** the share of the net amount of TFN amounts withheld by a trustee of a closely held trust, subject to the TFN withholding rules.

The total amounts for each partner at this entry should equal the amount reported at item **8** – label **O**, and the amount of credit claimed by each partner should be claimed in proportion to their partnership interest.

Credits for the TFN amounts withheld may be claimed by the partners when they lodge their income tax returns.

For more information on the TFN withholding rules for closely held trusts, see TFN withholding for closely held trusts – Who the rules apply to.

Credit for tax withheld – foreign resident withholding (excluding capital gains)

Show at label **F** each partner's share of credit for amounts withheld under foreign resident withholding. Show whole dollars only.

The aggregate of each amount shown at label **F** for each completed distribution statement must equal the total amount of credit shown in the tax return at:

- item **6** – label **U**
- item **8** – label **U**.

Australian franking credits from a New Zealand franking company

Show at label **G** each partner's share of Australian franking credits that were attached to franked dividends received from a New Zealand franking company either directly or indirectly through another partnership or trust.

This amount is not necessarily the total amount that each partner can claim. This is because under section 220-405 of the ITAA 1997, each partner's share of franking credits should be reduced by the amount of any share of supplementary dividend paid by the New Zealand franking company if:

- the supplementary dividend was paid in connection with the franked dividend, and
- the partner is entitled to a foreign income tax offset because the franked dividend is included in their assessable income; see Appendix 1.

If the above conditions exist, the reduction should be made on the partner's own tax return.

Share of net small business income

Show at label **H** each partner's share of net small business income. Show whole dollars only.

The aggregate of each amount shown at label **H** for each completed distribution statement must equal the amount shown at item **5 Net small business income** – label **V**.

You need to advise any partners who are individuals of their share of net small business income from the partnership to assist them to work out their entitlement to the small business income tax offset.

Partners who are prescribed persons (under 18 years old and not excepted persons) can only claim this offset on their share of net small business income if they were actively involved in carrying on the business of the partnership.

Share of National rental affordability scheme tax offset

Show at label **I** each partner's share of the National rental affordability scheme (NRAS) tax offset. The aggregate of each amount shown at label **I** for each completed distribution statement must equal the amount of NRAS tax offset entitlement shown at item **51** – label **F** in the partnership tax return. With this figure, include cents.

Share of net financial investment income or loss

Show at label **J** each partner's share of net financial investment income or loss. Show whole dollars only.

The aggregate of each amount shown at label **J** for each completed distribution statement must equal the amount shown at item **53** – label **G**.

Share of net rental property income or loss

Show at label **K** each partner's share of net rental property income or loss. Show whole dollars only.

The aggregate of each amount shown at label **K** for each completed distribution statement must equal the amount shown at item **53** – label **H**.

Share of exploration credits

Show at label **M** each partner's share of exploration credits. Show whole dollars only. The aggregate of each amount shown at label **M** for each completed distribution statement must equal the total exploration credits received by the partnership.

Real and effective control of share in partnership income

Further tax is payable by a partner, if that partner:

- is aged 18 years old or older on the last day of the partnership income year, and
- does not have real and effective control and disposal of part or the whole of their share of the partnership net income.

Real and effective control depends on the constitution and control of the partnership and the conduct of its operations. Broadly, a partner lacks the real and effective control if, by reason of any of the matters mentioned in the preceding sentence, they must allow their share to be dealt with in a particular way so that they can't, of their own will, deal with it in another way. See, section 94 of the ITAA 1936.

If you are completing a tax return on paper, and there is more than one partner without real or effective control over their part of the partnership income, then complete a Schedule of additional information. Title it 'Additional partners without real or effective control', list the title and full names of the additional partners.

Attach it to the tax return and print **X** in the **Yes** box at **Have you attached any 'other attachments'?** at the top of the tax return.

Under special circumstances, the Commissioner may treat a partner as having real control of a share or part of a share of partnership income. If you want a partner to be treated as having real control of a share or part of a share of partnership income, provide full details on a separate sheet of paper in support of your request. Attach it to the tax return and print **X** in the **Yes** box at **Have you attached any 'other attachments'?** at the top of the tax return.

Declarations

Instructions for how to complete the declarations in the partnership tax return.

In this section

Taxpayer's declaration

Tax agent's declaration

Taxpayer's declaration

For a partnership, one of the partners must sign and date the declaration.

Before making this declaration check to ensure that all income has been disclosed. Check the tax return, all attached schedules and any additional documents are true and correct.

Hours taken to prepare and complete this tax return

We are committed to reducing the costs involved in complying with your taxation obligations. By completing this item you will help us to monitor these costs as closely as possible. Your response to this item is voluntary.

When completing this item, consider the time, rounded up to the nearest hour, your business spent:

- reading the instructions
- collecting the necessary information to complete this tax return
- making any necessary calculations
- actually completing this tax return or putting the tax affairs of your business in order so that the information could be handed to your tax agent.

The answer should relate to the time the partners or tax agent spent in preparing and completing the tax return. This includes the time spent by any other person whose assistance was obtained in doing this, such as an employee.

Tax agent's declaration

If you are preparing this tax return on behalf of your client, sign and date the declaration.

Include your time and a reliable estimate of their time at **Hours taken to prepare and complete this tax return**.

If the tax agent is a partnership or a company, this declaration must be signed by a person authorised by that partnership or company to sign on its behalf. Write that person's name at this item.

How to lodge your partnership tax return

How and when to lodge the partnership tax return.

In this section

Lodgment due date

Lodgment address

Lodgment due date

You have until 31 October 2024 to lodge the partnership tax return and all the required schedules, unless:

- we have allowed you to lodge it later, or
- you have a later due date because a registered tax agent prepares the tax return.

If you can't lodge the tax return by 31 October 2024, contact us as soon as possible, before 31 October 2024, to find out whether you can lodge at a later date.

Lodgment address

The postal address to lodge the tax return is:

Australian Taxation Office
GPO Box 9845
(insert the name and postcode of your nearest capital city)

For example:

Australian Taxation Office
GPO Box 9845
SYDNEY NSW 2001

Don't post payments to this address.

For a list of the schedules that you can lodge with your *Partnership tax return 2024*, see Schedules for partnerships.

Schedules for partnerships

Get the information and schedules that you may need to complete and attach to your partnership tax return.

In this section

About the schedules

Schedule of additional information

International dealings schedule

Trust income schedule

Non-individual PAYG payment summary schedule

About the schedules

Complete only one copy of the appropriate schedule.

Attach all completed schedules to the *Partnership tax return 2024* unless specified otherwise. If you lodge your tax return without all the required schedules, we may not consider it to have been lodged in the approved form.

Schedule of additional information

If these instructions ask you to provide additional information, you must record any additional information on a separate sheet of paper.

Attach the additional information to the tax return and print **X** in the **Yes** box at the question **Have you attached any 'other attachments'?**

If you complete the tax return, you have not attached any other documents to it, print **X** in the **No** box.

International dealings schedule

You need to complete an *International dealings schedule 2024*, if, in 2023–24:

- you had attributed foreign income
- the thin capitalisation provisions apply to you
- you had overseas interest or royalty expenses
- the aggregate value of your transactions or dealings with international related parties (including the value of any property or service transferred or the balance of any loans) was greater than $2 million.

Lodge an *International dealings schedule 2024,* where thin capitalisation rules affect the partnership and a tax return is required because the partnership:

- was not a member of a consolidated group or MEC group (a non-membership period)
- had any of the above 4 points apply in the non-membership period.

For help completing the schedule and a copy of the schedule, see International dealings schedule and instructions 2024.

For more information, see Appendix 3.

Trust income schedule

Complete a *Trust income schedule 2024* if you received one or more distributions from trusts and attach it to your partnership tax return. These are amounts you show at:

- item **8** Partnerships and trusts
- item **22** Attributed foreign income
- item **23** Other assessable foreign source income

For help completing the schedule, who must complete it and a copy of the schedule, see Trust income schedule and instructions 2024.

Non-individual PAYG payment summary schedule

Complete a *Non-individual PAYG payment summary schedule 2024* if you show amounts at any of the following sections of the partnership tax return:

- item **5 Income amounts** at label **C, D** or **B**
- item **6 Tax withheld amounts** at label **T** or **U**.

For a copy of the schedule, see Non-individual PAYG payment summary schedule.

When PAYG withholding applies

PAYG withholding applies to several payments, including:

- payments for a supply where no ABN is quoted and no exemptions for quoting applied to the supplier
- payments arising from investments where no TFN or ABN is quoted
- certain payments to foreign residents prescribed in the Regulations.

If the payer withheld an amount from a payment to the partnership because the partnership did not quote an ABN, the payer should have sent a PAYG payment summary – withholding where ABN not quoted to the partnership.

If the payer withheld an amount from a payment to the partnership because of the operation of foreign resident withholding, the payer should have sent a PAYG payment summary – foreign employment to the partnership.

A payer may issue a receipt, remittance advice or similar document in place of the:

- *PAYG payment summary – withholding where ABN not quoted*
- *PAYG payment summary – payments to foreign residents*.

If the partnership did not receive or has lost its copy of a payment summary, contact the payer responsible and request a signed photocopy of the payer's copy.

Show income subject to foreign resident withholding that has been included in a distribution received from other partnerships and trusts at item **8**. A *Non-individual PAYG payment summary schedule 2024* is not required for these distributions because they don't have an associated payment summary.

Completing the non-individuals PAYG payment summary schedule 2024

Show the partnership's TFN and name in the appropriate boxes at the top of the schedule.

From each *PAYG payment summary – withholding where ABN not quoted* form and *PAYG payment summary – foreign employment*, record on the schedule:

- payer's ABN (or withholding payer number)
- total tax withheld
- gross payment
- payer's name.

Lodging the PAYG payment summary schedule

When you have entered details of all these payment summaries on the schedule, attach the schedule to the partnership tax return.

Don't attach copies of any payment summary to the tax return. Keep them with the partnership's copy of the tax return and keep a copy of the schedule with the partnership's tax records.

Where the partnership is a member of a consolidated group or MEC group for the whole income year and amounts have been withheld from payments or distributions, the responsibility for preparing the schedule will rest on the head company of the group.

Where a tax return is required because you, the partnership, had a period in 2023–24 when you were not a member of a consolidated group or MEC group (a non-membership period), complete a *Non-individual PAYG payment summary schedule 2024* where amounts have been withheld from payments or distributions to the partnership during the non-membership period.

Partnership worksheets

Use the partnership worksheets to help you work out amounts to include in the partnership tax return.

You should keep a copy of these worksheets for your records.

The following worksheets are available to download:

- Worksheet 1: Reconciliation statement worksheet (PDF, 161KB)
- Worksheet 1A: Net small business income worksheet (PDF, 118KB)
- Worksheet 2: Distribution of income from other partnership and share of net income from trusts worksheet (PDF, 151KB)
- Worksheet 3: Interest worksheet (PDF, 99KB)
- Worksheet 4: Dividends worksheet (PDF, 102KB)
- Worksheet 5: Distribution of foreign income worksheet (PDF, 109KB)

Appendixes for the partnership tax return

Additional information to help you understand and complete certain sections of your partnership tax return.

In this section

Appendix 1: Dividends

Appendix 2: Royalties

Appendix 3: Thin capitalisation

Appendix 4: Commercial debt forgiveness

Appendix 5: Capital works deductions

Appendix 6: Uniform capital allowances

Appendix 7: Deductions applicable to partners

Appendix 8: Depreciation deductions for small business entities

Appendix 14: Small business entity concessions

Appendix 15: Exploration Credits

Appendix 16: Small business bonus deductions

Appendix 1: Dividends

Use Appendix 1 to help you report dividends and for information on franking credits and franking entities.

In this section

About dividends

Trans-Tasman imputation

Franking credit trading

Qualified person

Dividend washing integrity rule

General anti-avoidance rule

Franking credit

Australian franking credits from a New Zealand franking company

Non-resident partners

Share traders

Exempt dividends

Foreign source dividends

Unfranked dividends

Dividends or interest paid to non-residents

About dividends

An imputation system applies for taxing dividends paid by franking entities. Certain dividends (including non-share dividends) paid by franking entities, which have paid Australian tax may have a franking credit attached. These dividends are known as franked dividends.

If the shares or interests are not held at risk as required under the holding period and related payments rules, or the dividend washing integrity rule applies, or there is other manipulation of the imputation system, don't include the Australian franking credit in assessable income. In these circumstances, there is no entitlement to a franking tax offset.

Trans-Tasman imputation

The Australian Government has rules, administered by the ATO, to allow New Zealand companies to join the Australian imputation system. The New Zealand Government has similar rules, administered by the New Zealand Inland Revenue Department, to allow Australian companies to join the New Zealand imputation system. Subject to full compliance with the Australian imputation rules, a New Zealand company that has chosen to join the Australian imputation system is able to maintain an Australian franking account and may pay dividends franked with Australian franking credits.

For dividends paid by Australian franking companies, the total amount of dividends received or credited and the franking credit is included in the assessable income of the partnership to determine the relevant net income or loss.

For dividends paid by New Zealand franking companies, the amount of the dividend received or credited and the franking credit included in the assessable income of the partnership can vary depending on whether or not the dividend is assessable. See the *Foreign income return form guide* to work out whether the dividend is assessable income.

If the dividend from the New Zealand company is assessable, you must declare it (including any supplementary dividend) as assessable foreign income, even if dividend withholding tax was deducted in New Zealand. Each partner may be entitled to a foreign income tax offset in respect of some or all of any New Zealand withholding tax paid on the dividend.

If the franked dividend from the New Zealand company is included in assessable income, the amount of the Australian franking credit on that dividend is also assessable income and you can claim a tax offset equal to that amount (subject to the exceptions described below).

If the recipient is entitled to a tax offset under section 207-45 of the ITAA 1997, the Australian franking credit is included in the assessable income of the recipient. The tax offset is reduced by the relevant amount of a supplementary dividend paid by the New Zealand company if:

- the supplementary dividend is paid in connection with the franked dividend
- the franked dividend and the supplementary dividend flow indirectly to the recipient because the recipient is a partner in a partnership
- the recipient (each partner in the case of a partnership) is entitled to foreign income tax offsets because of the distribution.

Australian resident shareholders are not entitled to a tax offset for New Zealand imputation credits which are attached to dividends paid by a New Zealand company. Australian resident shareholders are only entitled to a tax offset for Australian franking credits which are attached to those dividends.

Franking credit trading

For the franking credits to flow through to the partners, both they and the partnership must be qualified persons for the dividend.

Qualified person

To be a qualified person for a dividend, a taxpayer must, during the relevant 'qualification period' (see below), hold the shares, or an interest in the shares, at risk for 45 days (90 days for certain preference shares), not counting the days on which the shares or interests were acquired or disposed of. This is sometimes referred to as the 'holding period rule'.

To hold the shares, or an interest in shares, at risk, the taxpayer must carry at least 30% of the risks of loss and opportunities for gain associated with the shares, or interest in the shares.

If the taxpayer does not have an obligation to make a payment for a dividend (generally one passing the benefit of the dividend to another) the relevant qualification period for that dividend is the period beginning the day after the relevant shares or interests are acquired,

and ending 45 days (90 days for certain preference shares) after the shares go ex-dividend. Otherwise, if the taxpayer is obliged to make, has made, or is likely to make a related payment, the relevant qualification period is the period beginning 45 days (90 days for certain preference shares) before the shares go ex-dividend and ending 45 days (90 days for certain preference shares) after the shares go ex-dividend. This is sometimes referred to as the 'related payments rule'.

The holding period rule applies to shares acquired on or after 1 July 1997 (unless acquired under a contract entered into before 7:30 pm (AEST) on 13 May 1997) and the related payments rule applies to arrangements entered into after 7:30 pm(AEST) on 13 May 1997.

Alternatively, a partner can be a qualified person if they are an individual and their total franking credit entitlements don't exceed $5,000.

Dividend washing integrity rule

The dividend washing integrity rule prevents you from claiming franking credits where you have received a dividend as a result of dividend washing.

Dividend washing occurs where you, or an entity connected to you, claim 2 sets of franking credits by:

- selling shares that are held on the Australian Securities Exchange (ASX) and have become 'ex-dividend', and then
- purchasing some substantially identical shares using a special ASX trading market.

When the dividend washing integrity rule applies, you are not entitled to claim the franking credits for the second dividend. However, if your interest in the second parcel of shares exceeds the interest in the first parcel, you may be entitled to claim a portion of the franking credits for the additional shares. For more information, see Dividend washing rule.

General anti-avoidance rule

Section 177EA of the ITAA 1936 is a general anti-avoidance rule against franking credit trading and streaming. The rule applies where a more-than-incidental purpose of certain arrangements is to obtain a tax advantage for franking credits.

For more information, see You and your shares 2024.

Franking credit

The franking credit from Australian franking entities is shown at:

- item **12** – label **M** – if received directly from a paying company
- item **8** label **D** – if received indirectly through another partnership or trust.

Don't show the franking credit if the partnership was not a qualified person or the partnership was otherwise unable to claim a franking credit for the dividend.

Australian franking credits from a New Zealand franking company

The Australian franking credits attached to franked dividends received directly or indirectly from a New Zealand franking company are shown at item **23** – label **D**. For credits received

indirectly through another partnership or trust, don't show the franking credit if the partnership was not a qualified person or the partnership was otherwise unable to claim a franking credit.

Show expenses claimed against earning dividend income at item **16 Deductions relating to Australian investment income**.

The share of the partnership's net income or loss distributed to a resident partner is shown on the partner's own tax return.

If that share includes some or all of the franked dividends paid to the partnership, the partner who is a resident individual is entitled to a tax offset equal to their share of franking credits attached to the franked dividends, undiminished by the expenses of the partnership.

For the franking credits to flow to a partner, both the partner and the partnership must be qualified persons (satisfying the holding period and related payments rules).

Non-resident partners

Non-resident partners are not liable to pay any Australian tax on the franked amount of dividends. Unfranked dividends and the unfranked part of franked dividends, if any, are subject to withholding tax.

Share traders

Traders of shares (including non-share equity interests) who operated as a partnership and received dividends during the income year must show them at item **12**.

Exempt dividends

Keep supporting records if the partnership claims the whole or part of any dividend, bonus share issue or other distribution is exempt from tax, for example, because family trust distribution tax has been paid on the amount.

Foreign source dividends

Foreign source dividends (other than dividends from a New Zealand franking company) are not subject to the imputation rules. However, they are usually included in the assessable income of the partnership. If the partnership receives foreign source dividends, other than dividends that qualify as non-assessable non-exempt income under sections 23AI and 23AK, include these amounts at item **23**.

Unfranked dividends

An unfranked dividend includes the unfranked part of a partly franked dividend.

Unfranked dividends and the TOFA rules

The TOFA rules may apply to some or all of the unfranked dividends that a partnership receives. Where this is the case, such amounts are still shown at item **12 Dividends** and must also be shown at item **31 Taxation of financial arrangements (TOFA)**.

Dividends or interest paid to non-residents

Interest paid includes amounts in the nature of interest. If the partnership paid or credited any amounts in the nature of interest to a non-resident of Australia or has received unfranked dividends or interest on behalf of a non-resident of Australia. Provide a statement showing the amount paid, credited or received on behalf of the non-resident and whether withholding tax was deducted. If it was not deducted, state why.

Attach the statement to the tax return. Print **X** in the **Yes** box at **Have you attached any 'other attachments'?** at the top of the tax return.

Appendix 2: Royalties

Use Appendix 2 for information on how to report any royalties paid or credited.

In this section

About royalties

Record keeping

About royalties

Royalties include considerations of any kind paid or credited for:

1. the use of, or right to use
    a. any copyright, patent, design or model, plan, secret formula or process, trademark or other like property or right
    b. industrial, commercial or scientific equipment
    c. motion picture films
    d. films or video tapes for use with television
    e. tapes for use with radio broadcasting
    f. visual images and or sounds transmitted by satellite, cable, optic fibre or other similar technology, in connection with television or radio broadcasting
    g. capacity covered by a spectrum licence under the Radio communications Act 1992
2. the supply of scientific, technical, industrial or commercial knowledge or information
3. the supply of any assistance that is ancillary and subsidiary to, and is furnished as a means of enabling the application or enjoyment of any property, right, equipment, knowledge or information mentioned in 1a, 1b or 2
4. the reception of, or the right to receive, visual images or sounds transmitted to the public by satellite, cable, optic fibre or similar technology
5. the total or partial forbearance in respect of the previously listed activities.

Show royalties derived by an Australian resident as income in the normal manner.

Royalties paid by a resident to a non-resident may be subject to withholding tax. The rate for royalties is 30%, however, if there is a tax treaty (also referred to as double tax agreement), the rate may be reduced.

For more on the definition of **royalty**, see Taxation Ruling IT 2660 *Income tax: definition of royalties*.

Record keeping

If the partnership claims a deduction for royalties paid or credited, keep a record of the name and address and the amounts paid or due to each person. If payment was made to a

non-resident, keep details on whether or not tax has been paid or an amount withheld to provide for tax payable by the non-resident.

Appendix 3: Thin capitalisation

Use Appendix 3 to help you work out if the thin capitalisation rules apply and what to do if they affect you.

In this section

What is thin capitalisation?

What are the debt deduction creation rules?

Do the thin capitalisation rules apply?

What if the thin capitalisation rules apply?

What if the thin capitalisation rules are breached?

What is thin capitalisation?

The thin capitalisation provisions limit the debt deductions that certain entities can claim for tax purposes based on the tests set out in Division 820 of the ITAA 1997. These rules ensure that taxpayers fund their Australian operations with an appropriate amount of equity.

What are the debt deduction creation rules?

The debt deduction creation rules disallow debt deductions paid or payable, directly or indirectly, to associate entities and created in connection with certain acquisitions from associates or funding certain payments or distributions to associate entities. These rules don't apply to ADIs or securitisation vehicles, or entities that are exempted from their application under the $2 million threshold exemption or the exemption for certain special purpose entities.

The debt deduction creation rules will apply to assessments for income years starting on or after 1 July 2024.

Do the thin capitalisation rules apply?

Subject to the exclusions listed below, the thin capitalisation rules will apply to a partnership if:

- the partnership has at least one partner which is an Australian resident (an Australian partnership) and either
  - the partnership, or any of its associate entities, is an Australian controller of an Australian controlled foreign entity (explained below) or carries on business at or through an overseas permanent establishment
  - that partnership is foreign controlled, either directly or indirectly, **or**
- the partnership does not have any partners that are Australian residents and the partnership carries on a business in Australia at or through a permanent establishment or otherwise has assets that produce assessable income.

Exclusions

The thin capitalisation rules will not apply if:

- an Australian partnership is neither foreign controlled nor has any overseas operations or investments (unless it is an associate of another Australian entity that does).
- a foreign partnership that has no investments or presence in Australia
- the partnership's debt deductions (combined with the debt deductions of its associate entities) don't exceed $2 million in the income year
- an Australian partnership with overseas operations or investments, or that is an associate of an Australian entity with such operations or investments, that is not also foreign controlled and meets the Australian assets threshold test - see section 820-37.

Certain special purpose entities are also excluded. For more information, see section 820-39.

For more information, see Thin capitalisation.

Control

The rules measuring control take into account both direct and indirect interests that the partnership holds in the other entity (or vice-versa) and the direct and indirect interests that associate entities of the partnership hold in the other entity. This means an Australian partnership can be an Australian controller of a foreign entity even if it holds a direct interest of less than 50% in the foreign entity.

What if the thin capitalisation rules apply?

If the thin capitalisation rules apply to the partnership or you need more information, see the instructions to section D of the International Dealings Schedule. If the thin capitalisation rules apply, the partnership must complete the *International dealings schedule 2024*.

Where a return is required because the partnership had a period in the income year when it was not a member of a consolidated group or MEC group (a non-membership period) the partnership should complete an *International dealings schedule 2024* where the thin capitalisation rules apply to the partnership during the non-membership period.

What if the thin capitalisation rules are breached?

If the thin capitalisation rules apply, some of the partnership's debt deductions may be denied. The amount denied for business income is shown at item **5** – label **B Expense reconciliation adjustments**. If the partnership incurred debt deductions for other types of income (for example, rental income, dividend income or foreign income) the amount of deductions shown at the relevant entries must exclude the debt deductions amounts denied.

For more information, see:

- Tax Ruling TR 2020/4 *Income tax: Thin capitalisation – the arm's length debt test*
- Practical Compliance Guideline PCG 2020/7 *Arm's length debt test – ATO compliance approach*

Appendix 4: Commercial debt forgiveness

Use Appendix 4 to help you apply the net forgiven amount of commercial debt.

In this section

About commercial debt forgiveness

What is a commercial debt?

What constitutes the forgiveness of a debt?

Calculation of the net forgiven amount

Application of total net forgiven amount

Special rules

About commercial debt forgiveness

Generally, if a commercial debt owed by a taxpayer is forgiven during the income year, the taxpayer should apply the total 'net forgiven amount' of that debt to reduce, in this order, the taxpayer's:

- tax losses from previous income years (in the order the taxpayer prefers)
- net capital losses from previous income years (in the order the taxpayer prefers)
- certain undeducted expenditure (set out in the table at section 245-145 of the ITAA 1997), and
- cost bases of CGT assets.

However, a partnership can only apply the total net forgiven amount against undeducted expenditure because:

- partnerships can't have tax losses or net capital losses from previous income years; and
- for CGT purposes, each partner (and not the partnership) has a separate cost base (and reduced cost base) for the partner's interest in each CGT asset of the partnership.

Any total net forgiven amount that remains after the partnership has applied it to certain undeducted expenditure is applied to the tax balances of the partners in accordance with their share of the partnership net income or loss.

What is a commercial debt?

A debt is a commercial debt if any part of, or an amount in the nature of, interest paid or payable on it is or would be an allowable deduction, or could have been deducted if not for some provision in the income tax legislation that has the effect of preventing a deduction (other than the exceptions in subsection 8-1(2) of the ITAA 1997 for outgoings of a capital nature, private or domestic outgoings and for outgoings relating to exempt income or non-assessable non-exempt income).

If interest is not payable in respect of the debt, the debt is still a commercial debt if interest would have been deductible had interest been payable.

What constitutes the forgiveness of a debt?

Generally, a debt is forgiven if the partnership's obligation to pay the debt is released or waived, or is otherwise extinguished other than by repaying the debt in full.

A debt is also forgiven if one or more of the following happen:

- a creditor assigns the right to receive payment of the debt to an associate of the debtor
- a creditor subscribes for shares in a debtor company to enable the debtor to repay the debt it owes to the creditor, and the debtor uses any of the money subscribed to repay some or all of the debt
- the right to recover the debt ceases because of the expiry of a limitation period.

Calculation of the net forgiven amount

Calculate the net forgiven amount of a debt as follows:

6. Determine the value of the debt. This is usually the lesser of
   - the market value of the debt at the time of forgiveness (assuming the partnership was solvent at the time the debt was incurred and the partnership's capacity to pay the debt has not changed from the time the debt was incurred), and
   - the sum of the market value of the debt at the time the debt was forgiven (based on the above assumptions and assuming that interest rates and currency exchange rates that affect the market value of the debt remain constant from the time the debt was incurred until the forgiveness time) plus any amounts allowable as deductions because of the forgiveness of the debt that are attributable to changes in those interest rates and currency exchange rates. This might occur because of a decrease in the value of the debt due to market movements. Special rules apply in calculating the value of non-recourse debt and assigned debt – see sections 245-60 and 245-61 of the ITAA 1997.
7. Calculate the gross forgiven amount of the debt by subtracting from the value of the debt certain amounts in respect of the forgiveness – see section 245-65 of the ITAA 1997. This is normally the sum of the amounts of money the partnership has paid, or the market value of the property the partnership has given, in respect of the forgiveness of the debt. Special rules apply in determining the amount subtracted if a debt is forgiven by subscribing for shares in the debtor company or if the debt is assigned.
8. Reduce the gross forgiven amount of the debt by any amount
   - which has been, or will be, included in the partnership's assessable income for any income year as a result of the forgiveness of the debt
   - by which a deduction otherwise allowable to the partnership has been, or will be, reduced as a result of the forgiveness of the debt (except for a reduction under Division 727 of the ITAA 1997 which is about indirect value shifting), and
   - by which the cost base of any CGT assets of the partnership has been, or will be, reduced under Part 3-1 or 3-3 (the CGT provisions) of the ITAA 1997 as a result of the forgiveness of the debt.

The amount (if any) remaining is the net forgiven amount of the debt.

9. The total of the net forgiven amount of each debt that is forgiven during the income year is the "total net forgiven amount" for the income year.

Application of total net forgiven amount

Apply the total net forgiven amount to reduce the amounts the partnership has to certain undeducted expenditures (see Expenditures below).

The partnership may choose the items against which the total net forgiven amount is applied, provided it is applied to the maximum extent possible within the total available undeducted expenditures. If any balance remains after applying the amount to the maximum extent possible, special rules apply to partnerships. See Special rules.

Expenditures

Expenditures against which the total net forgiven amount can be applied are limited to those incurred by the partnership before the forgiveness income year which remain undeducted but which would be deductible in that year or future income years. These expenditures are:

- expenditure deductible under Division 40 of the ITAA 1997 (capital allowances)
- expenditure incurred in borrowing money to produce assessable income under section 25-25 of the ITAA 1997
- expenditure on scientific research under subsection 73A(2) of the ITAA 1936
- R&D expenditure deductible under Division 355 of the ITAA 1997
- advance revenue expenditure under Subdivision H of Division 3 of Part III of the ITAA 1936
- expenditure on acquiring a unit of industrial property to produce assessable income under subsection 124M(1) of the ITAA 1936
- expenditure on Australian films under section 124ZAFA of the ITAA 1936
- expenditure on assessable income-producing buildings and other capital works under section 43-10 of the ITAA 1997.

There are 2 principal methods for reducing expenditures:

- Straight line deduction: If the deduction is calculated as a percentage, fraction or proportion of a base amount (for example, deductions for the decline in value of depreciating assets calculated under the prime cost method), make the reduction to the base amount. The effect is that deductions allowable in the forgiveness income year and later income years are reduced. The total amount of deductions allowable is limited to the reduced base amount. The amount of the reduction is treated as if it had been a deduction when calculating any required balancing adjustment amount.
- Diminishing balance deduction: If the deduction for a particular expenditure is a percentage, fraction or proportion of an amount worked out after taking into account any previous deductions for the expenditure (for example, deductions for the decline in value of depreciating assets calculated under the diminishing value method), the amount of the reduction is taken to have been allowed as a deduction before the forgiveness income year.

If any deductions are disallowed under the ITAA 1936 or the ITAA 1997 as a result of recouping an amount of expenditure that is subject to reduction as a result of the above

debt forgiveness rules, the recouped expenditure against which the total net forgiven amount was previously reduced is included in the assessable income of the partnership in the income year in which it is recouped.

Special rules

Special rules apply if a partnership (other than a corporate limited partnership) has a total net forgiven amount which can't be fully applied in reducing the categories of amounts set out above.

Any part that can't be applied in that way is allocated to the partners in the proportion they share in the net income of the partnership or the partnership loss. Each partner is taken to have had a debt forgiven during the forgiveness income year, and the amount calculated under the formula is added to the individual partner's other net forgiven amounts (if any) in calculating the partner's total net forgiven amount for the forgiveness income year (see subsection 245-215 of the ITAA 1997).

Appendix 5: Capital works deductions

Use Appendix 5 to help you work out your deduction for capital works.

In this section

Capital works deductions
Capital works
Who can claim?
Lessee or holder of capital works
Requirement for deductibility
No deduction until construction is complete
Establishing the deduction base
Construction expenditure
Construction expenditure area
Pool of construction expenditure
Deductible use
Special rules about uses
Calculation and rate of deduction
Undeducted construction expenditure
Balancing deduction on destruction

Capital works deductions

Division 43 of the ITAA 1997 provides for a system of deducting capital expenditure incurred in the construction of capital works used to produce assessable income.

Capital works

You can deduct construction costs for the following capital works:

- buildings or extensions, alterations or improvements to a building, including leasehold improvements such as shop fit-outs
- structural improvements (such as bridges, retaining walls and sealed roads) or extensions, alterations or improvements to structural improvements
- environmental protection earthworks, see also Appendix 6.

You must base your deductions for construction costs on actual costs incurred. If it is not possible to genuinely determine the actual costs, provide an estimate from a quantity surveyor or other independent qualified person. The costs incurred by the partnership for providing this estimate are deductible as a tax-related expense, not as an expense in gaining or producing assessable income.

Who can claim?

A partnership can only claim a deduction under Division 43 for an income year if the partnership:

- owned, leased or held part of a construction expenditure area of capital works ('your area')
- incurred the expense, or was an assignee of the lease or holder who incurred the expense, and
- used your area to produce assessable income, or in some cases for carrying on R&D activities.

There are special rules that qualify the use of the capital works in relation to R&D activities. The R&D activities must be conducted in connection with a business carried on for the purposes of producing assessable income and be registered under section 27A of the *Industry Research and Development Act 1986* for an income year.

In calculating the partnership's deduction, identify your area for each construction expenditure area of the capital works. Your area may comprise the whole or part of the construction area.

Lessee or holder of capital works

A lessee or holder can claim a deduction for an area of capital works leased or held under a quasi-ownership right by the lessee or holder. To claim a deduction, the lessee or holder must have:

- incurred the construction expenditure or be an assignee of the lessee or holder who incurred the expenditure
- continuously leased or held the capital works area itself, or leased or held the area that had been so held by previous lessees, holders or assignees since completion of construction, and
- used your area to produce assessable income, or in some cases for carrying on R&D activities.

If there is a lapse in the lease, the entitlement to the deduction reverts to the building owner.

This deduction must not be claimed as capital allowances costs using an effective life equal to the term of the lease.

Requirement for deductibility

A partnership can deduct an amount for capital works in an income year if:

- the capital works had a 'construction expenditure area'
- there was a 'pool of construction expenditure' for that area, and
- the partnership used the area in the income year to produce assessable income or for carrying on R&D activities as set out in section 43-140 of the ITAA 1997.

No deduction until construction is complete

A partnership can't claim a deduction for any period before the construction of the capital works is complete even though the partnership used them, or part of them, before completion. Additionally, the deduction can't exceed the undeducted construction expenditure for your area.

Capital works are taken to have started when the first step in the construction phase starts, for example, the pouring of foundations or sinking of pilings for a building.

Establishing the deduction base

Expenditure for the construction of capital works is deductible if there is a construction expenditure area for the capital works. Whether there is such an area and how it is identified depends on:

- the type of expenditure incurred; only construction expenditure (see below) is deductible under Division 43 of the ITAA 1997
- the time the capital works started
- the area of the capital works to be owned, leased or held by the entity that incurred the expenditure, and
- for capital works begun before 1 July 1997, the area of the capital works that was at the time of completion intended to be used in a particular manner, see section 43–90 of the ITAA 1997.

Construction expenditure

Construction expenditure includes:

- preliminary expenses, such as architect's fees, engineering fees, foundation excavation expenses, and costs of building permits
- costs of structural features that are an integral part of the income-producing building or income-producing structural improvements, for example, lift wells and atriums
- some portion of indirect costs.

For an owner-builder entitled to a deduction under Division 43 of the ITAA 1997, the value of their contributions to the work (that is, labour or expertise and any notional profit element) don't form part of construction expenditure. See Taxation Ruling TR 97/25 *Income tax: property development: deduction for capital expenditure on construction of income producing capital works, including buildings and structural improvements* and addendum.

Construction expenditure does not include expenditure on:

- acquiring land
- demolishing existing structures
- clearing, levelling, filling, draining or otherwise preparing the construction site before carrying out excavation work
- landscaping
- plant

- property or expenditure for which a deduction is allowable or would be allowable if the property were to be used for producing assessable income under another specified provision of the ITAA 1936 or the ITAA 1997.

Construction expenditure area

The construction of the capital works must be complete before the construction expenditure area is determined. A separate construction expenditure area is created each time an entity undertakes the construction of capital works.

For construction expenditure before 1 July 1997, the capital works must have been constructed for a specified use at the time of completion, depending upon the time when the capital works started.

The first specified use construction time was 22 August 1979; see the table in section 43-90 and subsection 43-75(2) of the ITAA 1997. No deduction is available under Division 43 of the ITAA 1997 for capital works which were begun on 21 August 1979 or earlier, see subsection 43-20(1) of the ITAA 1997.

Pool of construction expenditure

The pool of construction expenditure is the portion of the construction expenditure incurred by an entity on capital works which is attributable to the construction expenditure area.

Deductible use

You can only claim a deduction under this Division if you use your area in a way described in table 43-140 or 43-145 of Subdivision 43-D of the ITAA 1997.

Special rules about uses

Your area is taken to be used for a particular purpose or in a particular manner if:

- it is maintained ready for that use, is not used for another purpose or in any other manner, and its use has not been abandoned
- its use has temporarily ceased because of, for example, construction or repairs, or seasonal or climatic conditions.

Your area is not accepted as being used to produce assessable income:

- if it is a building (other than a hotel or apartment building) used for exhibition or display in connection with the sale of all or part of any building, where construction began after 17 July 1985 but before 1 July 1997, if construction started after 30 June 1997, buildings that are used for display are eligible
- if it is a building where the construction began after 19 July 1982 and before 18 July 1985 and which is used or available for use wholly or mainly
  - for, or in association with, residential accommodation, and it is not a hotel or apartment building
  - for exhibition or display in connection with the sale of all or part of any building, or the lease of all or part of any building for use wholly or mainly for, or in association with, residential accommodation and is not a hotel or apartment building or an extension, alteration or improvement to such a building

- to the extent that the partnership or an associate uses part of it for residential accommodation and it is not a hotel or apartment building; for exceptions to this rule, see subsection 43-170(2) of the ITAA 1997.

'Your area' is taken to be used wholly or mainly as, or in association with residential accommodation if it is:

- part of an individual's home, other than a hotel or apartment building
- a building (other than a hotel or apartment building) where construction began after 19 July 1982 and before 18 July 1985, and used as a hotel, motel or guest house.

A hotel, motel or guest house, where construction began during the specified time, and doesn't qualify as a hotel or apartment building (for example, because it has less than 10 bedrooms or apartments) doesn't qualify for a deduction under Division 43.

Special rules for hotels and apartments are contained in section 43-180 of the ITAA 1997.

Calculation and rate of deduction

The entitlement to a deduction begins on the date your area is first used to produce assessable income after construction is completed. The first and last years of use may be apportioned. The entitlement to a deduction runs for either 25 or 40 years (the limitation period) depending upon the rate of deduction applicable.

The legislation contains 2 calculation provisions:

- section 43-210 of the ITAA 1997 deals with the deduction for capital works which began after 26 February 1992
- section 43-215 of the ITAA 1997 deals with deductions for capital works which began before 27 February 1992.

Capital works begun before 27 February 1992 and used as described in table 43-140

Calculate the deduction separately for each part of capital works that meets the description of 'your area'.

The applicable rate is either 4% if the capital works began after 21 August 1984 and before 16 September 1987, or 2.5% in any other case.

The amount of the deduction may be reduced in certain circumstances. This includes where your area was used only partly for the purpose of producing assessable income.

The amount claimed can't exceed the undeducted construction expenditure.

You can also work out your capital works deductions by using the Depreciation and capital allowances tool.

Capital works begun after 26 February 1992

Calculate the deduction separately for each part of capital works that meets the description of 'your area'.

There is a basic entitlement to a rate of 2.5% for parts used as described in table 43-14.: Current year the rate increases to 4% for parts used as described in table 43-145: Use in the 4% manner.

The amount of the deduction may be reduced in certain circumstances. This includes where your area was used only partly for the purpose of producing assessable income.

The amount the company claims can't exceed the undeducted construction expenditure.

You can also work out your capital works deductions by using the Depreciation and capital allowances tool.

Undeducted construction expenditure

The undeducted construction expenditure for your area is the part of the construction expenditure the partnership has left to write off. Use it to work out the:

- number of years in which the partnership can deduct amounts for its construction expenditure, and
- amount that the partnership can deduct under section 43-40 of the ITAA 1997 if your area, or a part of it is destroyed.

Balancing deduction on destruction

If a building is destroyed or damaged during an income year, you can claim the remaining amount of undeducted construction expenditure that has not yet been deducted, minus any compensation received. This applies even if the destruction or demolition is voluntary.

You can claim the deduction in the income year in which the destruction occurs.

The deduction is reduced where the capital works are used in an income year only partly for the purpose of producing assessable income or for carrying on R&D activities.

For guidelines on these measures, see Taxation Ruling TR 97/25 *Income tax: property development: deduction for capital expenditure on construction of income producing capital works, including buildings and structural improvements*.

Appendix 6: Uniform capital allowances

Use Appendix 6 to help you with uniform capital allowances.

In this section

UCA topics covered in appendix

Passenger vehicles

Balancing adjustment amounts

Deduction for decline in value of depreciating assets

Deduction for environmental protection expenses

Foreign exchange gains and losses

Deduction for project pool

Electricity connections and phone lines

Horticultural plants (including grapevines)

Hire-purchase agreements

Landcare operations and decline in value of a water facility, fencing asset and fodder storage asset

Limited recourse debt

Loss on the sale of a depreciating asset

Low-value pools

Luxury car leases

Profit on the sale of a depreciating asset

Section 40-880 deductions

The TOFA rules and UCA

UCA topics covered in appendix

This appendix covers the following uniform capital allowance (UCA) topics:

- balancing adjustment amounts
- deduction for decline in value of depreciating assets
- deduction for environmental protection expenses
- deduction for project pool
- electricity connections and phone lines
- grapevines and horticultural plants
- hire-purchase agreements
- landcare operations and deductions for decline in value of a water facility, fencing asset and fodder storage asset
- limited recourse debt
- loss on the sale of a depreciating asset

- low-value pools
- luxury car leases
- profit on the sale of a depreciating asset
- section 40-880 deductions
- the TOFA rules and UCA.

For more information on any of these topics, see the Guide to depreciating assets 2024.

Eligible small business entities that choose to use the simplified depreciation rules calculate deductions for most of their depreciating assets under those rules.

Passenger vehicles

The car limit will apply if your business purchases a motor vehicle (except a motorcycle or similar vehicle) designed to carry a load of less than one tonne and fewer than 9 passengers. You must reduce the cost of the vehicle to the car limit before calculating your depreciation. You can't claim the excess cost of the vehicle above the car limit under any other depreciation rules.

The car limit for 2023–24 is $68,108.

For more information, see Car limit.

Balancing adjustment amounts

If the partnership ceases to hold or to use a depreciating asset, a balancing adjustment event may occur. For assets subject to the small business entity depreciation rules, see Calculation 4: Ceasing to hold depreciating assets. For assets not subject to these rules, the partnership will need to calculate a balancing adjustment amount to include in its assessable income or to claim as a deduction.

Show an assessable balancing adjustment amount as an income add back at item **5** – label **A Income reconciliation adjustments**.

Show a deductible balancing adjustment amount as an expense subtraction at item **5** – label **B Expense reconciliation adjustments**.

If the asset was used for both taxable and non-taxable purposes, reduce the balancing adjustment amount by the amount attributable to the non-taxable use. A capital gain or capital loss may arise which is attributable to that non-taxable use.

Show any profit on the sale of a depreciating asset that has been included in the accounts of the partnership as an income subtraction at item **5** – label **A Income reconciliation adjustments**.

Show any loss on the sale of a depreciating asset that has been included in the accounts of the partnership as an expense add back at item **5** – **label B Expense reconciliation adjustments**.

See Profit on the sale of a depreciating asset and Loss on the sale of a depreciating asset.

If you have elected to use the hedging tax-timing method provided for in the TOFA rules and you have a gain or loss from a hedging financial arrangement used to hedge risks for a

depreciating asset, work out the gain or loss allocated under the TOFA rules and show the amount at label **A Income reconciliation adjustments** or label **B Expense reconciliation adjustments** when calculating the depreciating asset's balancing adjustment amount.

Also include the gain or loss on the hedging financial arrangement at item **31 Taxation of financial arrangements (TOFA)**.

For more information, see Guide to the taxation of financial arrangements (TOFA) and Guide to depreciating assets 2024.

If a balancing adjustment event occurred to a depreciating asset of the partnership during the income year, you will need to include an amount at item **49 Capital allowances** – label **H** or **I**.

Deduction for decline in value of depreciating assets

For assets subject to the small business entity depreciation rules, see Calculating depreciation deductions for small business entities. For assets not subject to the small business entity depreciation rules, the decline in value is generally worked out using either the prime cost or diminishing value method. Both methods are based on the effective life of an asset. For most depreciating assets, the partnership can choose whether to self-assess the effective life or to adopt the Commissioner's determination in Taxation Ruling TR 2022/1 *Income tax: effective life of depreciating assets (applicable from 1 July 2022)*.

The partnership can deduct an amount equal to the decline in value of a depreciating asset for the period that it holds the asset during the income year. However, the deduction is reduced to the extent the asset is used, or installed ready for use, for other than a taxable purpose.

If you have elected to use the hedging tax-timing method provided for in the TOFA rules and you have a gain or loss from a hedging financial arrangement used to hedge risks for a depreciating asset, then the amounts shown at label **A Income reconciliation adjustments** and label **B Expense reconciliation adjustments** will also need to take into account the effect of that gain or loss from the hedging financial arrangement.

Also include the gain or loss on the hedging financial arrangement at item **31 Taxation of financial arrangements (TOFA)**.

An immediate deduction is available for a depreciating asset costing $300 or less (but only to the extent the asset is used for a taxable purpose) if the asset satisfies **all** of the following requirements:

- It is used predominantly for the purpose of producing assessable income that is not income from carrying on a business.
- It is not part of a set of assets acquired in the same income year that costs more than $300.
- It is not one of any number of identical or substantially identical items acquired in the same income year that together cost more than $300.

You can allocate certain assets that cost less than $1,000 or that have an opening adjustable value of less than $1,000 to a low-value pool to calculate the decline in value. You can't allocate assets eligible for the immediate deduction to a low-value pool.

If the partnership is not using the small business entity depreciation rules, show the deduction for decline in value of depreciating assets used in carrying on a business as an expense subtraction at item **5** – label **B Expense reconciliation adjustments**.

This amount is often different from the amount of depreciation calculated for accounting purposes shown at item **5** – label **K**, so you will need to include the amount at label **K** as an expense add back at item **5** – label **B Expense reconciliation adjustments**.

Show deductions for the decline in value of depreciating assets used to earn rental income, earn interest or dividends, or used by the partnership in the management of its tax affairs at item **9 Rent** – label **H**, item **16 Deductions relating to Australian investment income** or item **18 Other deductions**, respectively.

For more information on where to show deductions for depreciating assets in a low-value pool, see Low-value pools.

A partnership can't claim a deduction for the decline in value of certain depreciating assets; instead, the individual partners are usually entitled to claim a deduction.

For more information, see:

- Electricity connections and phone lines
- Horticultural plants (including grapevines)
- Landcare operations and decline in value of a water facility, fencing asset and fodder storage asset.

To calculate the deduction for the decline in value of most depreciating assets, use worksheet 1 and worksheet 2 in the Guide to depreciating assets 2024.

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

Deduction for environmental protection expenses

The partnership can deduct expenditure incurred for the sole or dominant purpose of carrying on environmental protection activities (EPAs). EPAs are activities undertaken to prevent, fight or remedy pollution or to treat, clean up, remove or store waste from the partnership's earning activity. The earning activity is one the partnership has carried on, carries on, or proposes to carry on, for the purpose of:

- producing assessable income (other than a net capital gain)
- exploration or prospecting
- mining site rehabilitation.

The partnership may claim a deduction for cleaning up a site on which a predecessor carried on substantially the same business activity.

The deduction is not available for:

- EPA bonds and security deposits
- expenditure for acquiring land
- expenditure for constructing or altering buildings, structures or structural improvements

- expenditure to the extent that the partnership can deduct an amount for it under another provision.

Expenditure which forms part of the cost of a depreciating asset is not expenditure on EPAs.

You can write off expenditure incurred on or after 19 August 1992 on certain earthworks constructed as a result of carrying out EPAs at the rate of 2.5% per annum under the provisions for capital works expenditure.

You can't claim a deduction for expenditure on an environmental assessment of a project of the partnership as expenditure on EPAs. If it is capital expenditure directly connected with a project, it could be a project amount for which a deduction would be available over the project life; see Deduction for project pool.

If the deduction arises from a non-arm's length transaction and the expenditure is more than the market value of what it was for, the amount of the expenditure is instead taken to be that market value.

Include any recoupment of the expenditure as assessable income at item **5** – label **G** or label **H Other business income**, or as an income add back at item **5** – label **A Income reconciliation adjustments**.

Include the deduction for environmental protection expenses at item **5** – label **N All other expenses** or as an expense subtraction at item **5** – label **B Expense reconciliation adjustments**.

Foreign exchange gains and losses

If you purchased a depreciating asset in foreign currency, the first element of the asset's cost is converted to Australian currency. From 1 July 2003, if the foreign currency amount became due for payment within the 24-month period that began 12 months before the time when you began to hold the depreciating asset, any realised foreign exchange gain or loss (referred to as a forex realisation gain or a forex realisation loss) can modify the asset's cost, opening adjustable value, or the opening balance of your low-value pool, as applicable.

However, if the foreign currency amount relates to the second element of the cost of a depreciating asset, the translation to Australian currency is made at the exchange rate applicable at the time you incurred the relevant expenditure, and a 12 month rule instead of a 24 month rule applies. The 12 month rule requires that the foreign currency became due for payment within 12 months after the time you incurred the relevant expenditure. In some circumstances, you may be able to elect that forex gains and losses don't modify the asset's cost, opening adjustable value or the opening balance of your low-value pool.

For more information, see Election out of the 12 month rule.

Deduction for project pool

You can allocate certain capital expenditure incurred after 30 June 2001 to a project pool and write it off over the project life. The capital expenditure must be directly connected with a project that is carried on, or proposed to be carried on, for a taxable purpose. Each project has a separate project pool.

A project is carried on if it involves a continuity of activity and active participation. Merely holding a passive investment, such as a rental property, would not be regarded as carrying

on a project. For more information, see Taxation Ruling TR 2005/4 *Income tax: capital allowances – project pools – core issues*.

The capital expenditure, known as a project amount, must be 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 in clearing land for horticultural plants including grapevines)
- for feasibility studies for the project
- for 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.

Project amounts include mining capital expenditure and transport capital expenditure.

The expenditure must not otherwise be deductible or form part of the cost of a depreciating asset.

If the expenditure incurred arises from a non-arm's length dealing and is more than the market value of what it was for, the amount of the expenditure is taken to be that market value.

The deduction for project amounts allocated to a project pool commences when the project starts to operate.

If your project pool contains only project amounts incurred on or after 10 May 2006 and the project starts to operate on or after that date, your deduction is calculated as follows:

Pool value **multiplied by** 200% **divided by** DV project pool life.

Certain projects may be taken to have started to operate before 10 May 2006, for example, if a project is abandoned and then restarted on or after 10 May 2006 just so deductions can be calculated using the above formula.

For other project pools, the deduction is calculated using the following formula:

Pool value **multiplied by** 150% **divided by** DV project pool life

The **DV project pool life** is the project life or, if that life has been recalculated, the most recently recalculated project life. Determine the project life by estimating how long (in years and fractions of years) it will be from when the project starts to operate until it stops operating. Generally, a project starts to operate when the activities that will produce assessable income start. The project life is estimated from the perspective of the partnership, but the event(s) used to determine when the project will stop operating must be something outside its control.

The **pool value** for an income year is broadly the sum of the project amounts allocated to the pool up to the end of that year, minus the sum of the deductions claimed for the project pool in previous years or that which could have been claimed had the project operated wholly for a taxable purpose.

The pool value can be subject to adjustments.

If there is an entitlement to an input tax credit (GST) for expenditure allocated to a project pool, reduce the pool value by the amount of the credit. You will need to adjust the pool value for certain increasing or decreasing adjustments for expenditure allocated to a project pool.

The pool value can be subject to adjustment under the foreign exchange (forex) provisions. A relevant forex gain or loss may arise if, during an income year beginning on or after 1 July 2003, the partnership ceased to have an obligation to pay foreign currency where the obligation was incurred as a project amount allocated to a project pool. If the amount was incurred after 30 June 2003 (or earlier, if so elected) and became due for payment within 12 months after it was incurred, then the pool value for the income year in which the amount was incurred is increased by any forex loss, and decreased by any forex gain. If the forex gain exceeds the pool value, reduce the pool value to zero, and the excess gain is assessable. This is known as 'the 12-month rule'. In limited circumstances, a partnership may elect out of the 12-month rule.

For more information, see Election out of the 12 month rule. If it has been elected that the 12-month rule should not apply, any forex gain will be assessable and any forex realisation loss will be deductible in accordance with the forex measures. For more information on the forex measures, see Foreign exchange gains and losses.

The deduction for project amounts allocated to a project pool can't be more than the amount of the pool value for that income year.

There is no need to apportion the deductions if the project starts to operate during the income year, or for project amounts incurred during the year. However, the deduction is reduced by the extent to which the project is operated for a non-taxable purpose during the income year.

If the project is abandoned, sold or otherwise disposed of, you can claim a deduction for the sum of the closing pool value of the prior income year (if any) plus any project amounts allocated to the pool during the income year, after allowing for any necessary pool value adjustments. A project is abandoned if it stops operating and will not operate again.

Any amount received for the abandonment, sale or other disposal of a project is assessable income.

If an amount of capital expenditure allocated to a project pool is recouped, or if a capital amount is derived for a project amount or something on which a project amount was expended, include the amount in assessable income.

If any receipt arises from a non-arm's length dealing and the amount is less than the market value of what it was for, the amount received is taken to be that market value.

Include any deduction for a project pool as an expense subtraction at item **5** – label **B Expense reconciliation adjustments**. You must show the deduction at item **49 Capital allowances** – label **J Deduction for project pool**.

The partnership must add back any capital expenditure allocated to the pool that has been included as an expense at item **5**. Show the amount as an expense add back at item **5** – label **B Expense reconciliation adjustments**.

Include assessable income at item **5** – label **G** or **H Other business income** or as an income add back at item **5** – label **A Income reconciliation adjustments**.

Electricity connections and phone lines

You may be able to claim a deduction over 10 years for capital expenditure on:

- mains electricity – connecting, upgrading or extending a connection to any land on which a business is carried on
- phone lines – connecting or extending to land on which only a primary production business is carried on.

In the case of partnerships, deductions for this expenditure are not claimed by the partnership (unlike partnership assets depreciated under the general depreciation rules), but are allocated to each partner who can then claim for their share of the expenditure.

If your expenditure on mains electricity or phone lines (along with similar works such as broadband telecommunications links) doesn't meet the conditions, you may be able to write it off as a capital works deduction.

The partnership must add back any such capital expenditure included as an expense at item **5**. Show the amount as an expense add back at item **5** – label **B Expense reconciliation adjustments**.

Horticultural plants (including grapevines)

Your deduction for the decline in value of horticultural plants is based on the capital expenditure incurred in establishing the plants. This does not include the costs of:

- purchasing or leasing land
- draining swamps or low-lying land
- clearing land.

However, it would include, for example, the costs of:

- preparing the land – ploughing, contouring, fertilising, stone removal and topsoil enhancement
- acquiring and planting seeds.

You can't claim this deduction for forestry plants.

Expenditure on establishing horticultural plants (including grapevines) incurred by a partnership is allocated to each partner, and the relevant deduction is available to them. It is not available in calculating the net income or loss of a partnership.

The partnership must add back any such capital expenditure included as an expense at item **5**. Show the amount as an expense add back at item **5** – label **B Expense reconciliation adjustments**.

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 the arm's length value of the property. The periodic hire-purchase (or instalment) payments are treated as payments of principal and interest under

the notional loan. The hirer can claim a deduction for the interest component, subject to any reduction required under the thin capitalisation rules.

For the notional sale, the hirer of a depreciating asset may be entitled to claim a deduction for the decline in value. 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. For assets subject to the small business entity depreciation rules, see Appendix 14. For assets not subject to the small business entity depreciation rules, see Deduction for decline in value of depreciating assets.

If the partnership has included any hire-purchase charges for the goods at item **5**, include the amount at item **5** – label **B Expense reconciliation adjustments** as an expense add back. Include the deduction for the interest component of the hire-purchase payments as an expense subtraction at label **B**.

Landcare operations and decline in value of a water facility, fencing asset and fodder storage asset

Landcare operation expenditure and expenditure for water facilities, fencing assets and fodder storage assets incurred in partnership is allocated to each partner, and the relevant deduction is available to the partner. It is not available in calculating the net income or loss of a partnership.

The partnership must add back any such capital expenditure included as an expense at item **5**. Show the amount as an expense add back at item **5** – label **B Expense reconciliation adjustments**.

Limited recourse debt

Under Division 243 of the ITAA 1997 (the limited recourse debt rules), you must include excessive deductions for capital allowances as assessable income if expenditure on property has been financed or refinanced wholly or partly by limited recourse debt. This will occur if:

- the limited recourse debt is terminated after 27 February 1998 but has not been paid in full by the debtor, and
- 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 against the debtor in the event of default in payment of the debt, or of interest, are limited wholly or predominantly to the property that has been financed by the debt, or is security for the debt, or rights, for such property. A debt is 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 against the debtor are capable of being limited in that way.

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 of the ITAA 1997). The rules in section 243-75 apply where Divisions 243 and 245 (commercial debt forgiveness, see Appendix 4) of the ITAA 1997 both apply to the same debt.

Loss on the sale of a depreciating asset

Any such loss included in the accounts will differ from the balancing adjustment amount taken into account for taxation purposes.

If the accounts show a loss on the sale of a depreciating asset under item **5** – label **N**, show that amount as an expense add back at item **5** – label **B Expense reconciliation adjustments**. See Balancing adjustment amounts.

Low-value pools

If the partnership has allocated depreciating assets used for different income-producing purposes to its low-value pool (for example, some assets that are used for producing rental income and others that are used in carrying on a business) show the low-value pool deduction at item **18 Other deductions**. However, if all the depreciating assets in the low-value pool are used for the same income-producing purpose, show the deduction for decline in value of the assets in the pool as follows:

- For depreciating assets used in carrying on a business, show the deduction as an expense subtraction at item **5** – label **B Expense reconciliation adjustments**.
- For depreciating assets used to produce rental income, show the deduction at item **9** – label **H**.
- For depreciating assets used to produce Australian investment income, show the deduction at item **16 Deductions relating to Australian investment income**.

To calculate the deduction for decline in value of depreciating assets in a low-value pool, use worksheet 2 in Guide to depreciating assets 2024.

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

Luxury car leases

Luxury car leasing arrangements (other than genuine short-term hire arrangements) are treated as a notional sale and loan transaction.

A leased car (new or second hand) is a luxury car if its market value exceeds the car limit at the start of the lease.

For the notional loan, divide the actual lease payments into notional principal and finance charge components. Depending on how much the car is used for an income producing purpose, the lessee can claim a deduction for that part of the finance charge component for the notional loan applicable for the particular period (the accrual amount), subject to any reduction required under the thin capitalisation rules.

For 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.

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. The car limit for 2023–24 is $68,108.

For information on where to show the deduction for decline in value, see Deduction for decline in value of depreciating assets.

Alternatively, if the lessee is using the small business entity depreciation rules for the income year in which the lease is entered into, the lessee allocates the car to its general small business pool. For the purpose of calculating the deduction under the small business entity depreciation rules, the cost of the car is limited to the car limit for the income year in which the lease is granted.

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.

Both deductions are reduced by any use of the car for a non-taxable purpose.

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 small business entity depreciation rules, you must determine any assessable or deductible balancing adjustment amount for the lessee. If the car has been allocated to the lessee's general small business pool, see Calculation 4: Ceasing to hold depreciating assets.

If you included luxury car lease payments at item **5** – label **G Lease expenses**, include the amount at item **5** – label **B Expense reconciliation adjustments** as an expense add back. Include the deduction for the accrual amount as an expense subtraction at item **5** – label **B Expense reconciliation adjustments**.

Profit on the sale of a depreciating asset

Any such profit included in the accounts will differ from the balancing adjustment amount taken into account for taxation purposes.

If the accounts show a profit on the sale of a depreciating asset under item **5 Income** – label **G** or **H** , include that amount as an income subtraction at item **5 Income reconciliation adjustments** – label **A**. Also see Balancing adjustment amounts.

Section 40-880 deductions

Immediate deductibility start-up costs

Section 40-880 of the ITAA 1997 allows certain partnerships to immediately deduct certain start-up expenses.

Expenditure is fully deductible in the income year incurred if:

- it is incurred by a partnership that
  - is a small business entity
  - would be a small business entity if the aggregated turnover threshold was $50 million, or
  - is not in business and is not connected with or an affiliate of another entity that is carrying on a business and that entity
    - is not a small business entity, and
    - would not be a small business entity if the aggregated turnover threshold was $50 million, and

- it relates to a business that is proposed to be carried on and is either
  - incurred for advice or services relating to the proposed structure or proposed operation of the business
  - is paid to an Australian government agency in relation to setting up the business or establishing its operating structure.

Section 40-880 deduction

If the deduction relates to an earlier income year, or does not meet the criteria set out above, the previous rules apply, which is a 5-year write-off for certain business-related capital expenditure incurred by the partnership for a past, present or proposed business.

As part of the tax treatment for black hole expenditure, rules apply to business-related capital expenditure. Section 40-880 deductions are no longer limited to 7 specific types of business-related capital expenditure. The partnership may now be able to claim a deduction for capital expenditure it incurs:

- for its business
- for a business that it used to carry on, such as capital expenses incurred in order to cease the business
- for a business it proposes to carry 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, provided that the company, trust or partnership carried on a business.

If the partnership incurs the relevant capital expenditure for its existing business, a former business or a proposed business, the expenditure is only deductible to the extent the business is, was, or is proposed to be, carried on for a taxable purpose.

The partnership can't deduct expenditure for an existing business that is carried on by another entity or a proposed business unless it is proposed to commence within a reasonable time. However, it can deduct expenditure it incurs for a business that used to be, or is proposed to be, carried on by another entity. Such expenditure is only deductible to the extent that:

- the business was, or is proposed to be, carried on for a taxable purpose, and
- the expenditure is in connection with
  - a business that was, or is proposed to be, carried on, and
  - derivation of assessable income from that business by the partnership.

A section 40-880 deduction can't be claimed for capital expenditure to the extent that it:

- can be deducted under another provision of the income tax laws
- forms part of the cost of a depreciating asset the partnership holds, 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 from a CGT event
- 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 that the expenditure is capital expenditure
- is of a private or domestic nature
- is incurred for 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 (for example, distributions by trustees) or a return of a non-assessable amount (for example, repayments of loan principal).

The partnership deducts 20% of the qualifying capital expenditure in the year it is incurred and in each of the following 4 years.

If a partner in a partnership is an individual, the non-commercial loss rules may defer the partner's deductions for their share of a loss from a business activity of the partnership. See Non-commercial losses: partnership.

Show the section 40-880 deduction as an expense subtraction at item **5 Expense reconciliation adjustments** – label **B** . Also show the amount at item **49 Capital allowances** – label **K Section 40-880 deduction**.

If you have included any of the expenditure incurred for the income year as an expense at item **5**, show this amount as an expense add back at item **5 Expense reconciliation adjustments** – label **B**.

The TOFA rules and UCA

The TOFA rules contain interaction provisions which may modify the cost and termination value of a depreciating asset acquired by a partnership to which the TOFA rules apply. This will be the case where the consideration (or a substantial proportion of it) is deferred for greater than 12 months after delivery.

For more information, see Guide to the taxation of financial arrangements (TOFA) and Guide to depreciating assets 2024.

Appendix 7: Deductions applicable to partners

Use Appendix 7 to work out deductions applicable to partners.

In this section

Capital allowances for primary producers and some landholders

Film industry incentives

Farm management deposits scheme

Partnership losses

Research and development tax offset

Small business income tax offset and non-commercial losses

Superannuation

Capital allowances for primary producers and some landholders

A partnership can't claim a deduction under Subdivisions 40-F and 40-G of the ITAA 1997 for:

- the decline in value of a water facility, horticultural plant (including grapevine), fencing asset and fodder storage asset
- electricity connections and phone lines
- landcare operations.

Each partner can claim a deduction in accordance with any agreement on how the expenditure is to be borne or, if there is no agreement, according to each partner's interest in the partnership income or loss.

For more information, see Guide to depreciating assets 2024.

Film industry incentives

The conditions under which concessions are available for the Australian film industry are explained in Film industry incentives 2024. The concessions don't apply in the calculation of the partnership net income or loss.

In very limited circumstances, a concession may be available to the individual partners. The law about claiming deductions for investments in Australian films has changed for 2009–10 and later years. As a consequence of the introduction of the Australian screen production incentive, Divisions 10B and 10BA of Part III of the ITAA 1936 have been repealed with effect from 1 July 2010. A partner can't claim a deduction under Division 10BA for the 2009–10 or later years. A partner can't claim a deduction under Division 10B for the 2010–11 or later years. For 2009–10, a partner can claim a deduction for an Australian film under Division 10B only if the partner first claimed such a deduction for that film for 2008–09.

If you wish to claim deductions for income years prior to 2009–10, or a Division 10B deduction for 2009–10, see the publication Film industry incentives 2010–11.

Farm management deposits scheme

The farm management deposits (FMD) scheme reduces fluctuations in a primary producer's income.

A partnership can't have an FMD or claim a deduction for a deposit to an FMD.

A partner in a partnership that carries on a primary production business in Australia may be able to claim a deduction in the income year for an amount they deposited into an FMD they own. The deposit must be made by or on behalf of the owner of the FMD. Any repayments of that deposit are assessable income to the extent they have been previously claimed as a deduction.

For more information on FMD deposits and repayments, see question **17 Net farm management deposits or repayments** in the Supplementary tax return instructions 2024 and Information for primary producers 2024.

Partnership losses

If a partnership loss is incurred by a partnership in an income year, individual partners can claim a deduction for their share of the partnership loss. A partnership loss is incurred if the allowable deductions (other than deductions allowable for personal superannuation contributions or tax losses of earlier years under the ITAA 1997) exceed the assessable income of the partnership. The partnership loss is the amount of that excess.

For the tax treatment of current year foreign losses of the partnership, see Net foreign source income.

Rules on deferring non-commercial business losses may apply to a partner who is an individual, to defer the deduction for their share of a loss from a business activity of the partnership. For more information on these rules, see question **16Deferred non-commercial business losses** in the Supplementary tax return instructions 2024 and Non-commercial losses: partnerships.

Research and development tax offset

Eligible companies may be entitled to a tax offset for eligible expenditure incurred on qualifying R&D activities. A partner in a partnership of otherwise eligible companies (an R&D partnership) may also be entitled to the R&D tax incentive for eligible expenditure on qualifying activities. For information on how a company may claim the R&D tax incentive, see Research and development tax incentive schedule instructions 2024.

Small business income tax offset and non-commercial losses

The non-commercial loss rules will apply to a partner's share of a partnership business loss and may also affect their share of net small business income. For more information on these rules, see question **16 Deferred non-commercial business losses** in the Supplementary tax return instructions 2024.

Depending on how the non-commercial loss rules apply to the individual partner, the individual partner may need to adjust their share of the partnership's net small business income in their own individual tax return.

The individual partner will need to know their share of the partnership's loss.

Superannuation

For information on claiming a deduction for personal superannuation contributions, see D12 Personal superannuation contributions 2024.

Appendix 8: Depreciation deductions for small business entities

Use Appendix 8 to work out depreciation deductions as a small business entity.

In this section

Calculation 1: Deduction for certain assets and cost additions (costing less than $20,000)

Calculation 2: General small business pool

Calculation 3: Other depreciating assets

Calculation 4: Ceasing to hold depreciating assets

Calculation 5: Closing pool balance

Worksheet: Small businesses using simplified depreciation

Calculation 1: Deduction for certain assets and cost additions (costing less than $20,000)

For an explanation of the terms we use in this section, see Guide to depreciating assets 2024 and Tax time definitions.

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

- you start to use, or have installed ready for use for a taxable purpose between 1 July 2023 and 30 June 2024
- cost less than $20,000 at the end of the income year
- qualify for a deduction under the simplified depreciation rules.

For an asset for which you have claimed an immediate deduction under the simplified depreciation rules in a prior income year, small businesses can also immediately deduct an amount included in the second element (cost addition) of that asset's cost, where the amount is:

- the first deductible amount of second element cost incurred after the end of the income year in which the asset was written off
- less than $20,000
- incurred between 1 July 2023 and 30 June 2024

Work out the extent that each of these eligible assets and cost additions are used for the purpose of producing assessable income (the taxable purpose proportion).

Calculate the deduction for each eligible asset as follows:

Asset's adjustable value **multiplied by** its taxable purpose proportion

The adjustable value of an asset is its cost **less** its decline in value since it was first used, or installed ready for use, for any purpose, whether business or private. The adjustable value

of an asset, at the time it was first used, or installed ready for use, for a taxable purpose, will be its cost.

Add up all of the partnership's deductions under this calculation and write the total at row **a** in Worksheet: Small businesses using simplified depreciation.

Don't include in this calculation amounts for depreciating assets which the partnership started to hold prior to commencing to use the simplified depreciation rules. These assets are allocated to the small business pool (see, Calculation 2).

Calculation 2: General small business pool

Before working out your depreciation deductions under this step, but after taking into account any additions to or disposals from the pool, if the balance of the general small business pool is below $20,000 but greater than zero you can claim an immediate deduction for this amount.

Enter this deduction against general small business pool at row **b** in Worksheet: Small businesses using simplified depreciation. For more information, see Calculation 5.

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

- Calculation 2a Opening pool balance
- Calculation 2b Additions to the opening pool balance
- Calculation 2c Subtractions from the opening pool balance

Calculation 2a Opening pool balance

Calculate your opening pool balance, where:

- 2023–24 not the first income year using simplified depreciation rules
- 2023–24 the first income year using simplified depreciation rules.

2023–24 not the first income year using simplified depreciation rules

For partnerships already using the simplified depreciation rules, the opening balance of the general small business pool is the closing pool balance for the previous income year, adjusted to reflect any changed business use of a pooled asset. However, as the partnership will have deducted the entire balance (if any) of the small business pool under temporary full expensing in the 2022–23 income year, the opening pool balance at the beginning of the 2023–24 income year is $0.

Write zero ($0) at row **b** in Worksheet: Small businesses using simplified depreciation.

2023–24 the first income year using simplified depreciation rules

For partnerships that start to use the simplified depreciation rules in the 2023–24 income year, the opening pool balance is the sum of the taxable purpose proportions of the adjustable values of those depreciating assets that are held and used (or installed ready for use), just before the start of the 2023-24 income year, and that are not excluded from the simplified depreciation rules.

To calculate your general small business pool deduction for these assets, multiply the opening pool balance by the general small business pool rate (30%).

Write the total deduction at row **b** in Worksheet: Small businesses using simplified depreciation.

Calculation 2b Additions to the opening pool balance

Add to your opening pool balance the taxable purpose proportion of the following newly acquired assets and cost additions, where the amounts are equal to or exceed the instant asset write-off threshold:

- the adjustable value of assets that were first used, or installed ready for use, for a taxable purpose during 2023–24
- cost addition amounts (second element costs) for existing assets.
- Also add the taxable purpose proportion of cost addition amounts that are less than the instant asset write-off threshold and are not immediately deductible (see Calculation 1).
- To calculate your deduction for these pool additions, add together:
- The taxable purpose proportion of the adjustable value of each depreciating asset first used, or installed ready for use this year, multiplied by half the general small business pool rate (15%).
- The taxable purpose proportion of cost addition amounts, multiplied by half the general small business pool rate (15%).

Write the total deduction at row **c** in Worksheet: Small businesses using simplified depreciation.

Calculation 2c Subtractions from the opening pool balance

If the partnership ceases to hold an asset that has been allocated to the pool in 2023–24, or an earlier income year, the taxable purpose proportion of the termination value is subtracted from the pool balance (see Calculation 4b).

Calculation 3: Other depreciating assets

Calculate the deduction for the decline in value of all other depreciating assets that are not included in calculations 1 and 2. For more information, see Appendix 6 and Guide to depreciating assets 2024.

Write the total deduction at row **d** in Worksheet: Small businesses using simplified depreciation.

Calculation 4: Ceasing to hold depreciating assets

If you used the simplified depreciation rules and you've sold or ceased to use an asset in 2023–24, you may need to reduce your pool balance by the asset's taxable purpose proportion of the termination value or include an amount in your assessable income.

Calculations for ceasing to hold depreciating assets, include:

- Calculation 4a Certain assets for which immediate deductions have been claimed
- Calculation 4b Assets allocated to the general small business pool
- Calculation 4c Other depreciating assets.

Calculation 4a Certain assets for which immediate deductions have been claimed

If a balancing adjustment event happens to a depreciating asset for which the partnership has claimed an immediate deduction under calculation 1 this income year or in a previous year, the partnership must include the taxable purpose proportion of the termination value at item **5 Reconciliation items**. For more information, see Worksheet 1.

A balancing adjustment event occurs when the partnership stops holding a depreciating asset; for example, when the partnership sells the asset, or the asset is lost or destroyed. Termination value includes money received from the sale of an asset or insurance money received.

For example, a partnership acquired an asset on 1 February 2019 for $6,400. The partnership used the asset only 60% for a taxable purpose and claimed an immediate write-off of $3,840 under the threshold which existed at that time. The partnership disposed of the asset at arm's length on 1 February 2024 for $3,000 (excluding GST). The partnership includes $1,800 as an assessable reconciliation adjustment at item **5**.

Calculation 4b Assets allocated to the general small business pool

If the partnership ceases to hold a depreciating asset that had been allocated to the general small business pool in this income year, or in a previous income year, the taxable purpose proportion of the termination value is subtracted from the pool balance.

If expenses are incurred in disposing of, or otherwise ceasing to hold, a depreciating asset, these expenses may be taken into account in Calculation 2 by adding them to the pool balance.

Calculation 4c Other depreciating assets

For information on how to calculate any balancing adjustment amounts on the disposal of other depreciating assets, see Guide to depreciating assets 2024.

Include balancing adjustment amounts at item **5 Reconciliation items**, see Worksheet 1.

Calculation 5: Closing pool balance

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

- Step 1: Add the opening pool balance (see Calculation 2a)
- Step 2: Add the taxable purpose proportion of the adjustable value of assets that were additions to the pool during the year (see Calculation 2b)
- Step 3: Add the taxable purpose proportion of any cost addition amounts incurred for assets already in the pool during the year (see Calculation 2b)
- Step 4: Subtract the taxable purpose proportion of the termination value of any pooled assets disposed of during the year (see Calculation 4b).

  If after completing Step 4 your pool balance is less than $20,000 but greater than zero, you can claim an immediate deduction for this amount. Enter this deduction against general small business pool assets at row **b** in Worksheet: Small businesses using simplified depreciation. The pool's closing balance for 2023–24 will be zero after claiming the immediate deduction.

If the value of the small business pool is $20,000 or more after completing Step 4, continue calculations as per the steps below.

- Step 5: Subtract the general small business pool deduction (see Calculation 2a)
- Step 6: Subtract the deduction for assets first used, or installed ready for use this year (see Calculation 2b)
- Step 7: Subtract the deduction for any cost addition amounts added for pooled assets during the year (see Calculation 2b).

If the closing pool balance is below zero, include the amount below zero in your assessable income at item **5 Reconciliation items** – label **B Expense reconciliation adjustments**.

The closing pool balance for this year becomes the opening pool balance for 2024–25, after any adjustments to reflect the changed business use of a pooled asset.

Don't write the closing pool balance in the partnership's tax return.

Worksheet: Small businesses using simplified depreciation

Worksheet: Small businesses using simplified depreciation

Row	Calculation element	Primary production	Non-primary production	Total
a	Certain assets (immediately deducted under instant asset write-off)	$	$	$
b	General small business pool	$	$	$
c	General small business pool (accelerated rate or half rate)	$	$	$
d	Other assets	$	$	$
e	Total depreciation expenses: add up the amounts from row **a** to row **d**.	$	$	$

Transfer the total amount from row **e** to item **5** – label **K Depreciation expenses**.

Transfer the total amount from row **a** to item **50** – label **A Deductions for certain assets**.

Transfer the total of the amounts at rows **b** and **c** to item **50** – label **B**.

Appendix 14: Small business entity concessions

Use Appendix 14 to work out if you are a small business entity and eligible for the small business entity concessions.

In this section

Small business entity thresholds

Eligibility

Calculating turnover

Aggregation rules

Business operated for only part of the year

Satisfying the aggregated turnover threshold

Previous year turnover

Estimate of current year turnover

Actual current year turnover

Former STS taxpayers

Small business entity thresholds

Small businesses with an aggregated turnover of less than $10 million are called small business entities and may qualify for a range of tax concessions. Prior to 1 July 2016, the aggregated turnover threshold was $2 million.

The $10 million aggregated turnover threshold applies to most of the small business concessions, except for:

- the small business income tax offset, which is available to businesses with an aggregated turnover of less than $5 million from 1 July 2016 (claimed by individual partners)
- the capital gains tax (CGT) concessions, where the aggregated turnover threshold of $2 million continues to apply.

Eligible businesses can choose to use the concessions that best suit their needs. However, eligibility must be reviewed each year.

Depending on its aggregated turnover for an income year, the small business entity may be eligible for the following concessions:

- CGT 15-year asset exemption (see Note)
- CGT 50% active asset reduction (see Note)
- CGT retirement exemption (see Note)
- CGT rollover provisions, including the small business restructure rollover with effect from 1 July 2016 (see Note)
- simplified depreciation rules
- immediate deduction for certain prepaid business expenses

- immediate deduction for a range of business start-up expenses
- simplified trading stock rules
- choice to account for GST on a cash basis
- annual apportionment of (GST) input tax credits in certain circumstances
- paying GST by instalments
- FBT car parking exemption
- FBT portable electronic device exemption
- PAYG instalments based on GDP-adjusted notional tax
- a concessional corporate tax rate
- simplified BAS with effect from 1 July 2017.

Some of these concessions have additional eligibility conditions that must also be satisfied.

Note: Where a capital gain arises from a CGT event that involves the creation, transfer, variation or cessation of an interest or right that entitles someone to the income or capital of a partnership, the partners in the partnership can no longer access the small business CGT concessions where:

- the CGT event occurred after 7:30 pm (AEST) 8 May 2018, and
- the interest or right is not a membership interest held by the person with the entitlement.

For more information, see:

- Concessions for eligible businesses
- Small business CGT concessions

A partner who is an individual may be entitled to a tax offset on the tax payable on their share of net small business income earned by a partnership that is a small business entity with an aggregated turnover of less than $5 million. See item **5 Business income and expenses**.

Eligibility

A partnership is eligible for the small business entity concessions if it meets the small business entity test; that is, the partnership:

- is carrying on a business, and
- has an aggregated turnover of less than $10 million.

Partnerships that would be small business entities if the aggregated turnover threshold was less than $50 million are also eligible for some concessions.

'Business' is defined broadly to include 'any profession, trade, employment, vocation or calling, but does not include occupation as an employee'.

'Carrying on a business' is not defined in the tax law and, therefore, takes its ordinary meaning. An entity is taken to be carrying on a business for the purposes of the small business entity test in an income year if:

- the entity is winding up a business it formerly carried on, and

- it was a small business entity in the income year that it stopped carrying on the business.

Aggregated turnover is the annual turnover of the partnership, plus the annual turnovers of any entity that is connected with it, or that is its affiliate. For more information on calculating aggregated turnover, including the meaning of **connected with the partnership** and **affiliated with the partnership**, see CGT small business entity eligibility. Eligibility must be reviewed each year.

Calculating turnover

Turnover includes all ordinary income the partnership earned in the ordinary course of business for the income year. The following are some examples of amounts included and not included in ordinary income of a business.

Include these amounts:

- sales of trading stock
- fees for services provided
- interest from business bank accounts
- amounts received to replace something that would have had the character of business income.

Don't include these amounts:

- GST the partnership has charged on a transaction
- proceeds from the sale of business capital assets
- insurance proceeds for the loss or destruction of a business asset
- amounts received from repayments of farm management deposits.

There are special rules for calculating the annual turnover if the partnership has retail fuel sales or business dealings with associates that are not at market value.

For more information on calculating turnover, see CGT small business entity eligibility.

Aggregation rules

Special rules called the aggregation rules will determine who the partnership is connected or affiliated with.

These rules prevent larger businesses from structuring or restructuring their affairs to take advantage of the small business entity concessions.

An entity that is connected with the partnership, or that is its affiliate, is referred to as a relevant entity.

When calculating the aggregated turnover of the partnership, don't include income from:

- dealings between the partnership and a relevant entity
- dealings between any relevant entities of the partnership
- a relevant entity when it was not a relevant entity of the partnership.

For more information on the aggregation rules, including the meaning of 'connected with' or 'affiliated with' the partnership, see Small business CGT concessions.

If the partnership carries on a business during the current income year and has an aggregated turnover of less than $10 million under the aggregation rules discussed above, then the partnership is a small business entity.

Business operated for only part of the year

If the partnership, or a relevant entity, carries on a business for only part of the income year, annual turnover must be worked out using a reasonable estimate of what the turnover would have been if the partnership, or a relevant entity, had carried on a business for the whole of the income year.

Satisfying the aggregated turnover threshold

There are 3 ways to satisfy the $10 million aggregated turnover limit or the $50 million aggregated turnover limit. These are:

- your 2022–23 turnover
- your estimate of your 2023–24 turnover
- your actual 2023–24 turnover.

Most businesses will only need to consider the first method.

Previous year turnover

If the aggregated turnover of the partnership for 2022–23 was less than $10 million, the partnership is a small business entity for 2023–24. This is regardless of its estimated or actual aggregated turnover for 2023–24.

If the aggregated turnover of the partnership for 2022–23 was less than $50 million, the partnership can access those small business entity concessions with a $50 million aggregated turnover limit.

Estimate of current year turnover

If the estimated aggregated turnover of the partnership for the current income year is less than $10 million, the partnership is a small business entity for the income year.

If the estimated aggregated turnover of the partnership for the income year is less than $50 million, the partnership can access those small business entity concessions with a $50 million aggregated turnover limit.

If you are estimating your turnover, you need to:

- estimate your turnover based on the conditions you are aware of on the relevant date
- assess whether the aggregated turnover is more likely than not to be less than $10 million or $50 million on the relevant date.

The relevant date is either:

- the first day of the income year

- the time the business started, if the partnership started a business part way through the year.

Partnerships that commenced carrying on a business in the current year need to make a reasonable estimate of what their turnover would have been had the business been carried on for the whole income year.

This method can't be used if the aggregated turnover of the partnership in each of the previous 2 income years was equal to or more than the aggregated turnover limit.

Actual current year turnover

If the actual aggregated turnover of the partnership was less than $10 million at the end of the income year, the partnership is a small business entity for that income year.

If the actual aggregated turnover of the partnership is less than $50 million at the end of the income year, the partnership can access those small business entity concessions with a $50 million aggregated turnover limit.

This method is only needed if the first 2 tests can't be met.

If the partnership is a small business entity by means of this method only, it can't use the GST and PAYG concessions for that income year, as those particular concessions must have been chosen earlier in the income year.

Former STS taxpayers

There is a transitional rule for former STS taxpayers that deals with the continued use of the STS accounting method.

There is also a special rule that applies if the partnership is winding up a business this year that it previously carried on and it was an STS taxpayer in the income year it ceased business. The special rule provides that the following will apply to the partnership in the year it is winding up the business as if it is a small business entity:

- The simplified depreciation rules
- The simplified trading stock rules
- The rules concerning deductions for certain prepaid expenses.

See section 328-111 of the *Income Tax (Transitional Provisions) Act 1997*.

Appendix 15: Exploration Credits

Use Appendix 15 for more information about your entitlement to work out exploration credits.

Where a partnership is issued with exploration credits in an income year, they may pass the exploration credits to their members. To be entitled to benefit from exploration credits, the member must be an Australian resident for the whole of the income year.

Special rules apply to a partner who receives exploration credits from a partnership. For more information, see What to do when you receive exploration credits.

Appendix 16: Small business bonus deductions

Use Appendix 16 to help you work out if and when you can claim the small business bonus deductions.

In this section

Small business skills and training boost

Small business energy incentive

Small business skills and training boost

The *Treasury Laws Amendment (2022 Measures No. 4) Act 2023* provides for a temporary skills and training boost for small businesses in the form of a bonus deduction. Small businesses (with an aggregated annual turnover of less than $50 million) are able to claim the bonus deduction as an additional 20% deduction, on top of their ordinary deduction, for expenditure incurred for the provision of eligible external training courses to employees by eligible registered training providers in Australia.

It applies to eligible expenditure incurred from 7:30 pm (AEDT) on 29 March 2022 until 30 June 2024. Special rules provide for the income year in which the bonus deduction can be claimed.

How to complete the partnership tax return

You make the boost claim as an expense subtraction at item **5 Reconciliation items** – label **Expense reconciliation adjustments** (using Worksheet 1).

You also record the amount at item **52 Small business bonus deductions**.

Don't include at those labels the ordinary deduction for expenditure on your skills and training.

The bonus deduction is an additional tax deduction of 20%, on top of the ordinary deduction, for the cost of eligible training expenditure incurred between 7:30 pm AEDT on 29 March 2022 and 30 June 2024.

It applies to enrolments or arrangements for the provision of training made or entered into at or after 7:30 pm AEDT on 29 March 2022.

Criteria for claiming the bonus deduction

You must also meet the following criteria for the bonus deduction:

- expenditure must be for training employees, in-person in Australia or online
- expenditure must be charged, directly or indirectly, by a registered training provider and be for training within the scope of the provider's registration
- the eligible registered training provider must not be the small business or an associate of the small business, for example, a related entity or individual or a relative, spouse, or partner of a related individual
- expenditure must already be deductible under the tax law.

Expenditure for training persons other than employees is not eligible for the bonus deduction. For example, contractors and partner of a partnership are not eligible for the bonus deduction.

When to claim the bonus deduction

The ordinary deduction is claimable in the income year in which the expense is incurred. However, special rules apply in claiming the bonus deduction. When you claim also depends on the balancing date if the small business has a substituted accounting period.

Normal balancers

For eligible expenditure incurred between 1 July 2023 and 30 June 2024, you claim the bonus deduction in your 2023–24 tax return.

Late balancers

For eligible expenditure incurred between the start of your 2023–24 income year and 30 June 2024, you claim the bonus deduction in your 2023–24 tax return.

Early balancers

For eligible expenditure incurred in your 2023–24 income year, you claim the bonus deduction in your 2023-24 tax return.

For eligible expenditure incurred in your 2024–25 income year (up until 30 June 2024), you claim the bonus deduction in your 2024–25 tax return.

Steps to complete item 5 and 52

Step 1 Show your bonus deduction for the small business skills and training boost in respect of your primary production business at row **x** in Worksheet 1 in the primary production column.

Step 2 Show your bonus deduction for the small business skills and training boost in respect of your non-primary production business at row **x** in Worksheet 1 in the non-primary production column.

Step 3 Add up your primary production and non-primary production at row **x** in Worksheet 1.

Step 4 Transfer the amounts at row **x** in Worksheet 1 to item **5 Expense reconciliation adjustments (expense subtractions)**. Also record this amount at item **52** – label **A**. Don't show cents.

Small business energy incentive

The small business energy incentive provides businesses with an aggregated annual turnover of less than $50 million with access to a temporary bonus deduction equal to 20% of the cost of eligible assets or improvements to existing assets that support more efficient energy use.

The bonus deduction applies to the cost of eligible assets and improvements up to a maximum amount of $100,000, with the maximum bonus deduction being $20,000.

The bonus deduction is in addition to a deduction you would ordinarily have access to under tax law.

How to complete the partnership tax return

You claim the bonus deductions as an expense subtraction at item **5 Reconciliation items, Expense reconciliation adjustments** (using worksheet 1).

You also record the amount at item **52 Small business bonus deductions**.

Don't include the total energy incentive expenditure amount at these labels for which you claim an ordinary deduction.

Criteria for claiming the small business energy incentive

You must meet the following criteria for the bonus deduction:

- Your business needs to meet the aggregated annual turnover rules (with an increased $50 million threshold).
- The expenditure being claimed must be deductible to your business under other provisions in the taxation law.
- For expenditure on eligible assets, the asset must be both first used or installed ready for use for any purpose, and used or installed ready for use for a taxable purpose, between 1 July 2023 and 30 June 2024.
- For expenditure on eligible improvements to existing assets, the expenditure must be incurred between 1 July 2023 and 30 June 2024.
- Neither the expenditure nor the asset is excluded.

You can't claim the bonus deduction for the cost of an eligible asset, or an improvement to an existing asset, if a balancing adjustment event occurs to the asset (for example, you sell it) during the income year in which you hold the asset and incur the expenditure, unless the balancing adjustment event is an involuntary disposal.

You calculate the bonus deduction as 20% of the cost of the eligible asset or improvement, irrespective of whether your ordinary deduction for the decline in value of the asset is claimed in one income year (under instant asset write off) or over its effective life.

Eligible assets

A depreciating asset may be eligible for the bonus deduction if it uses electricity and when one or more of the following apply:

- there is a new reasonably comparable asset that uses a fossil fuel available in the market
- the asset is more energy efficient than the asset it is replacing
- if it is not a replacement, it is more energy efficient than a new reasonably comparable asset available in the market.

A depreciating asset may also be eligible if it is an energy storage, time-shifting or monitoring asset, or an asset that improves the energy efficiency of another asset.

Eligible improvements

An improvement to a depreciating asset may be eligible for the bonus deduction if it:

- enables the asset to only use electricity, or energy that is generated from a renewable source, instead of a fossil fuel
- enables the asset to be more energy efficient, provided that asset only uses electricity, or energy generated from a renewable source
- facilitates the storage, time-shifting or usage monitoring of electricity, or energy generated from a renewable source (for example, a battery that stores electricity).

Excluded assets and expenditure

The following types of assets and expenditure are not eligible for the bonus deduction:

- assets and expenditure on assets that can use a fossil fuel (except if that use is merely incidental such as where an asset uses an oil-based lubricant)
- assets and expenditure on assets which have the sole or predominant purpose of generating electricity (such as solar panels)
- capital works
- motor vehicles (including hybrid and electric vehicles) and expenditure on motor vehicles
- assets and expenditure on assets allocated to software development pools
- financing costs, including interest and borrowing expenses.

When the bonus deduction is claimed

For eligible expenditure on depreciating assets that are both:

- first used or installed ready for use for any purpose between 1 July 2023 and 30 June 2024
- used or installed ready for use for a taxable purpose between 1 July 2023 and 30 June 2024.

You will claim the bonus deduction for that expenditure in your tax return 2023–24.

For eligible expenditure on improvements to depreciating assets incurred between 1 July 2023 and 30 June 2024, you will also claim the bonus deduction for that expenditure in your tax return 2023–24.

An entity with a substituted accounting period may claim the bonus deduction across more than one income year, provided the eligible asset was first used or installed ready for use, or the improvement cost was incurred, between 1 July 2023 and 30 June 2024.

Steps to work out the amount to report at item 52

Step 1 Show your bonus deduction for the small business energy incentive in respect of your primary production business at row **y** in Worksheet 1 in the primary production column.

Step 2 Show your bonus deduction for the small business energy incentive in respect of your non-primary production business at row **y** in Worksheet 1 in the non-primary production column.

Step 3 Add up your primary production and non-primary production at row **y** in Worksheet 1.

Step 4 Transfer the amounts at row **y** in Worksheet 1 to item **5** – **Expense reconciliation adjustments (expense subtractions)**. Also record this amount at item **52** – label **C**. Don't show cents.