Australian Government
Australian Taxation Office

Business and professional items schedule instructions 2025

Use these instructions to help you complete the business and professional items schedule 2025.

This publication was current at 29 May 2025

NAT 2543-06.2025

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 29 May 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
May 2025

NAT 2543-06.2025

Contents

About the BPI instructions 4
Preparing the BPI schedule 4
Who are these instructions for? 4
How long did it take you to complete this schedule? 5
Records for BPI schedule items 5
Choice of superannuation fund 6
Hobby or business 6
Assets put to a tax-preferred use – Division 250 6
Concessions for small business entities 7
What's new for business and professional items 2025? 11
Small business – $20,000 Instant asset write-off 11
Debt deduction creation rules 11
Instructions to complete the BPI schedule 2025 12
Personal services income – P1 12
Business information – P2 to P6 22
Business income and expenses – P8 23
Business loss activity details – P9 81
Small business entity simplified depreciation – P10 99
Trade debtors and creditors – P13 and P14 100
Total salary and wage expenses – P15 101
Payments to associated persons – P16 103
Depreciating assets – P17 to P20 104
Trading stock election – P21 108
Appendixes 109
Appendix 1: Calculations for small business depreciation deductions 109

About the BPI instructions

How these instructions will help you to complete the business and professional items schedule.

Preparing the BPI schedule

Business and professional items instructions will help you to prepare the *Business and professional items schedule 2025*.

In these instructions, we provide information about:

- streamlined provisions for small business entities
- personal services income (PSI)
- business income you must show on the schedule
- deductions you may be able to claim.

Who are these instructions for?

Use these instructions if you're an individual who needs to complete questions **14**, **15** or **16** in your supplementary tax return. You may also need to use these instructions if you have a net loss from a business activity carried on in partnership with others (question **13** in the supplementary tax return).

If you don't complete the business or professional items that apply to you, your tax return may be rejected as incomplete. We consider a tax return lodgment complete when we receive it with all relevant questions and labels complete.

We may apply a penalty if you lodge your tax return and schedule late, see Failure to lodge on time penalty.

If you have a net loss from a business activity carried on in partnership with others, you may need to complete **P3 Number of business activities** and **P9 Business loss activity details** of the *Business and professional items schedule 2025*. See Question 13 in *Supplementary tax return instructions 2025*. Don't include your partnership details at any other question in your schedule.

You'll also need to complete the Individual PAYG payment summary schedule and instructions if you receive any of the following:

- PAYG payment summary – business and personal services income
- PAYG payment summary – withholding where ABN not quoted
- PAYG payment summary – foreign employment

These instructions will also help you fill in the *Individual PAYG payment summary schedule*.

How long did it take you to complete this schedule?

We are committed to reducing the costs involved in complying with your tax obligations. Your response to this item will help us monitor these costs.

Write the number of hours it takes you to prepare and complete your *Business and professional items schedule for individuals 2025* at label **S** in your schedule.

When completing this label consider the time (rounded up to the nearest hour) you spent:

- reading the instructions
- collecting information
- making calculations
- completing the schedule
- putting the tax affairs of your business in order so the information can be handed to your tax agent.

Your answer should reflect the time your business spent preparing and completing your schedule. Include the time spent by your tax agent and any other person who assists you.

If you're a tax agent preparing this schedule on behalf of your client, include your time and a reliable estimate of their time.

Records for BPI schedule items

You must keep records of most transactions in English for 5 years after you prepare or obtain them, or 5 years after you complete the transactions or acts to which they relate, whichever is the later. Taxation Ruling TR 96/7 *Income tax: record keeping – section 262A - general principles* clarifies the record-keeping obligations of small businesses, particularly for cash transactions.

If you have losses, you should generally keep records until the later of either:

- 2 years from the income year when you fully deduct a tax loss
- 5 years.

If you apply a net capital loss, you should generally keep your records of the capital gains tax (CGT) event that resulted in the loss until the end of any period of review for the income year in which the capital loss is fully applied. Penalties can apply if you don't keep the records for the period required.

Some of the more significant record-keeping problems we have identified are failure to:

- record cash income and expenditure
- account for personal drawings
- record goods taken for your own use
- separate private expenses from business expenses
- keep valid tax invoices for creditable acquisitions when registered for the goods and services tax (GST)
- keep adequate stock records
- keep adequate records to substantiate motor vehicle claims.

For more information, see Taxation Determination TD 2007/2 *Income tax: should a taxpayer who has incurred a tax loss or made a net capital loss for an income year retain records relevant to the ascertainment of that loss only for the record retention period prescribed under income tax law?*

Choice of superannuation fund

You must keep records that show you have met your obligations to offer a choice of superannuation fund.

Hobby or business

It is important to determine whether you're carrying on a business or pursuing a hobby, sport or recreational activity that doesn't produce income.

In general, you're considered to carry on a business if the activity:

- has started
- has a significant commercial purpose or character
- has a purpose of profit as well as a prospect of profit
- is carried out in a manner that is characteristic of the industry
- is repeated, regular or continuous
- is planned, organised and carried on in a business-like manner
- is of a sufficient size, scale and permanency to generate a profit
- can't be more accurately described as a hobby, recreation or sporting activity.

For more information, see Taxation Ruling TR 97/11 *Income tax: am I carrying on a business of primary production?*

Assets put to a tax-preferred use – Division 250

Division 250 of the *Income Tax Assessment Act 1997* (ITAA 1997) applies to the leasing of assets and other similar arrangements to tax-preferred end users (such as tax-exempt entities, non-residents, and permanent establishments of Australian residents) that carry on business in a foreign country.

If Division 250 applies to an arrangement, then capital allowance deductions will be denied or reduced for the asset and the arrangement is treated as a deemed loan that is taxed as a financial arrangement on a compounding accruals basis.

Division 250 applies to all relevant arrangements where the tax-preferred use of an asset started on or after 1 July 2007. However, Division 250 doesn't apply if the use occurs under a legally enforceable arrangement that was entered into before 1 July 2007.

Division 250 doesn't apply if both:

- you're a small business entity for the income year in which the arrangement period for the tax-preferred use of the asset starts
- you choose to deduct amounts under Subdivision 328-D (capital allowances for small business entities) for the asset for that income year.

Division 250 doesn't apply to certain short-term and low-value arrangements.

Concessions for small business entities

Do you carry on a business at any time during 2024–25 and have an aggregated turnover of less than $10 million?

- **No** – Go to P1 Personal services income (PSI).
- **Yes** – Read on.

You need to know

You're a small business entity if you're carrying on a business and have an aggregated turnover of less than $10 million. If you're a small business entity, you may qualify for a range of tax concessions. .

Eligible businesses can choose to use the concessions that best suit their needs. It isn't necessary to elect to be a small business entity each year in order to access the concessions, however businesses must review their eligibility each year.

A small business entity needs to have an aggregated turnover of **less** than $2 million to be eligible for the following concessions:

- CGT 15-year asset exemption
- CGT 50% active asset reduction
- CGT retirement exemption
- CGT small business rollover

A small business entity needs to have an aggregated turnover of **less** than $5 million to be eligible for the small business income tax offset – equivalent to 16% of the income tax payable on your net small business income (capped at $1,000).

A small business entity needs to have an aggregated turnover of **less** than $10 million to be eligible for the following concessions:

- small business restructure roll-over
- simplified depreciation rules
- accounting for GST on a cash basis
- annual apportionment of GST input tax credits
- paying GST by instalments

A business entity needs to have an aggregated turnover of **less** than $50 million to be eligible for the following concessions:

- simplified trading stock rules
- deducting certain prepaid business expenses immediately
- deducting certain business start-up expenses immediately
- fringe benefits tax car-parking exemption
- fringe benefits tax certain work-related items exemption
- pay as you go (PAYG) instalments based on gross domestic product adjusted notional tax.

For more information, see Small business CGT concessions.

Aggregated turnover

Aggregated turnover is your annual turnover plus the annual turnover of any entities that are **connected with you** or that are your **affiliates** (adjusted to ignore dealings between connected entities and affiliates). Using aggregated turnover prevents larger businesses from structuring or restructuring their affairs to take advantage of the small business entity concessions.

You must review your eligibility each year.

Calculating your turnover

Turnover includes all ordinary income you earn in the ordinary course of business for 2024–25. The following are some examples of amounts to include and exclude in ordinary income of a business:

Include these amounts:

- sales of trading stock
- fees for services you provide
- interest from business bank accounts
- amounts you receive to replace something that would have had the character of business income.

Exclude these amounts:

- GST charged on a transaction
- proceeds from the sale of business assets
- capital gains
- insurance proceeds for the loss or destruction of a business asset
- amounts you receive from repayments of farm management deposits.

There are special rules for calculating your annual turnover if you have retail fuel sales or business dealings with associates.

The business operated for only part of the year

If you only carry on a business for part of 2024–25, work out your annual turnover using a reasonable estimate of what the turnover would be if you were carrying on the business for the whole of 2024–25. This includes winding up the business.

Satisfying the aggregated turnover threshold

Your business satisfies the small business entity aggregated turnover requirement if you meet **one** of the following:

- your aggregated turnover for 2023–24 is less than $10 million
- you estimate at the beginning of 2024–25 that your aggregated turnover for the year will be less than $10 million (and your aggregated turnover in 2022–23 or 2023–24 was less than $10 million)
- your actual aggregated turnover, worked out at the end of 2024–25, is less than $10 million. You rely on this test only if you don't satisfy either of the 2 tests above. If you satisfy this test only, you can't use the GST and PAYG instalments concessions for 2024–25.

For more information, see Small business entity concessions.

Former simplified tax system (STS) taxpayers

If you're 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, you may continue using the STS accounting method for 2024–25 if all of the following apply:

- you were 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
- you used the STS accounting method from 2005–06 to 2022–23
- you're a small business entity for 2024–25.

If you meet these 3 requirements, you can continue using the STS accounting method until you choose not to or you're no longer a small business entity. If you continue to use the STS accounting method, you base the amounts you include at **P8 Business income and expenses** on the STS accounting method. If your accounting system or financial statements don't reflect the STS accounting method, you may need to make additional reconciliation adjustments at **P8** Reconciliation items.

The STS accounting method doesn't apply to income or deductions that receive specific treatment under income tax law, for example, net capital gains, dividends, depreciation expenses, bad debts and borrowing expenses.

A timing rule will override the received or paid rule under the STS accounting method, where either:

- an amount of ordinary income is apportioned or altered under another provision
- an amount of a general deduction is apportioned or altered under another provision.

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 **P8** Reconciliation items.

Ceasing use of the STS accounting method

If you have discontinued using the STS accounting method, or you're no longer a small business entity, accounting adjustments may need to be considered. As Business income and expenses will not have been accounted for (because they haven't been received or paid) they will need to be accounted for in this income year. You may need to make additional reconciliation adjustments at **P8** Reconciliation items.

There is also a special rule that applies if you're winding up a business this year that you previously carried on, and you were an STS taxpayer in the income year you ceased business.

For more information, see Small business entity concessions.

What's new for business and professional items 2025?

Find out what's new in legislation or changes to consider when completing the business and professional items schedule.

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

The Treasury Laws Amendment (Tax Incentives and Integrity) Act 2025 has extended the $20,000 instant asset write-off limit to the 2024-25 income year. The measure aims to support small business entities with an aggregated annual turnover of less than $10 million. Eligible small business entities can immediately deduct the business use portion of the cost of eligible depreciating assets costing less than $20,000. You must first use or install ready for use for a taxable purpose between 1 July 2024 and 30 June 2025. The $20,000 limit applies on a per asset basis, so small business entities can instantly write off multiple assets. Small business entities can also 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 2025. 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 **P8 Expenses** – label **M** and **P10 Small business entity simplified depreciation** – label **A**. For more information, see Small business support – $20,000 instant asset write-off.

Debt deduction creation rules

The debt deduction creation rules (DDCR) were enacted by the Treasury Laws Amendment (Making Multinationals Pay Their Fair Share – Integrity and Transparency) Act 2024. The Act introduces the DDCR in Subdivision 820-EAA of the *Income Tax Assessment Act 1997* (ITAA 1997). For income years that commence on or after 1 July 2024, the DDCR operates to disallow related party debt deductions arising in relation to certain related party arrangements, including arrangements undertaken (entirely or partially) before 1 July 2024. The DDCR applies to multinational businesses (that is, businesses operating in Australia and at least one other jurisdiction), including private businesses and privately owned groups.

The DDCR doesn't apply to:

- entities that, together with their associate entities, have $2 million or less of debt deductions for an income year
- securitisation vehicles
- certain special purpose entities
- Australian plantation forestry entities
- authorised deposit-taking institutions (ADIs).

For more information, see:

- Debt deduction creation rules and Division 7A
- Draft Practical Compliance Guideline PCG 2024/D3 *Restructures and the new thin capitalisation and debt deduction creation rules - ATO compliance approach*
- Draft Taxation Ruling TR 2024/D3 *Income tax: aspects of the third party debt test in Subdivision 820-EAB of the Income Tax Assessment Act 1997*.

Instructions to complete the BPI schedule 2025

Instructions for how to complete your business and professional items schedule.

Personal services income – P1

Instructions to complete P1 Personal services income.

What is personal services income?

Personal services income (PSI) is income that is mainly a reward for an individual's personal efforts or skills. If more than 50% of the income you receive under a contract is for your personal efforts or skills, then all income from that contract is PSI. If 50% or less of the income you receive under a contract is for your personal efforts or skills, then none of the income for that contract is PSI.

Examples of PSI are:

- income you receive under a contract which is wholly or mainly for your labour or services
- income of a professional practitioner in a sole practice
- income of a professional sportsperson or entertainer for their professional skills
- income of a consultant from their personal expertise.

Your PSI doesn't include income that is mainly:

- for supplying or selling goods (for example, from retailing, wholesaling or manufacturing)
- generated by a significant income-producing asset (such as contracting to provide a bulldozer)
- for granting a right to use property (for example, the copyright to a computer program)
- generated by a business structure (for example, a large accounting firm).

For more information, see Taxation Ruling TR 2022/3 *Income tax: personal services income and personal services businesses.*

P1 Personal services income (PSI) concerns PSI you earn as a sole trader only. Answer **No** to the question below if you gain **all** your PSI as an employee or through a company, partnership or trust.

Do you receive any PSI?

- **No** – Print **X** in the **No** box at **P1 Personal services income (PSI)** in your schedule. Go to, P2 Description of main business or professional activity.
- **Yes** – Print **X** in the **Yes** box at **P1 Personal services income (PSI)** in your schedule. Read on.

If you earn PSI, there are restrictions on certain deductions in relation to earning that income (for example, rent, mortgage interest, rates or land tax for your home), or payments to your spouse (or other associate) for support work, such as secretarial duties. However, these restrictions don't apply if you either:

- have a personal services business determination from the Commissioner of Taxation (the Commissioner) stating that your PSI is from conducting a personal services business for the whole period you earn PSI
- satisfy one of the 4 personal services business tests in Part A.

If you earn PSI as a sole trader, you need to answer one or more of the questions in Part A. The questions will determine whether the PSI rules affect your deductions relating to your PSI.

The PSI rules don't affect your legal, contractual or workplace arrangements and we won't treat you as an employee as a result of the PSI rules applying.

Part A

Answer the following questions to complete Part A.

Do you satisfy the results test?

- **Yes** – Print **X** in the **Yes** box at **P1 Personal services income (PSI)** – label **P** in your schedule.
  Go to P2 Description of main business or professional activity.
- **No** – Print **X** in the **No** box at **P1 Personal services income (PSI)** – label **P** in your schedule. Read on.

If you earn PSI, you satisfy the results test for 2024–25 if, in respect of at least 75% of your PSI, you can answer yes to all of the following 3 questions:

- Under your contract or arrangement, is the PSI paid to achieve a contractually specified result or outcome?
- Do you have to provide the tools or equipment necessary to do your work? (If no tools or equipment were required for your work, answer yes.)
- Are you liable for the cost of rectifying defects in your work?

Your contract must require the production of a specified result or outcome. The contract must also state that payment is conditional upon the achievement of that outcome. The essence of the contract must be to achieve a result and not just do work as required.

Do you have a PSB determination?

Have you received a personal services business determination that was in force for the whole of the period you earned PSI?

- **Yes** – Print **X** in the **Yes** box at **P1 Personal services income (PSI)** – label **C** in your schedule.
  Go to, P2 Description of main business or professional activity.
- **No** – Print **X** in the **No** box at **P1 Personal services income (PSI)** – label **C** in your schedule. Read on.

This is a notice from the Commissioner stating that you're conducting a personal services business. If you have a personal services business determination from the Commissioner, the PSI rules don't apply to your PSI.

Do you receive 80% or more of your PSI from one source?

- **Yes** – Print **X** in the **Yes** box at **P1 Personal services income (PSI)** – label **Q** in your schedule.
  Go to, Part B.
- **No** – Print **X** in the **No** box at **P1 Personal services income (PSI)** – label **Q** in your schedule. Read on.

If you don’t satisfy the results test and 80% or more of your PSI in 2024–25 comes from one client and its associates (that is, from one source), you can't self-assess whether you satisfy the other personal services business tests. The PSI rules apply to your PSI unless you get a determination from the Commissioner.

If you don’t satisfy the results test, you can self-assess against the other tests only if less than 80% of your PSI comes from one source. If you receive less than 80% of your PSI from each source for the whole of the period you earn PSI and you satisfy any of the following personal services business tests, indicate which business tests you satisfy.

If you enter a contract to provide your services with a labour-hire firm or similar arrangement, the labour-hire firm is the source of the income for the purposes of the 80% rule even if you gain more than one job through the labour-hire firm.

Commission agents

The PSI rules are modified for commission agents who act or represent others and bear an entrepreneurial risk in the way they provide their services. See, Special rules for agents.

Do you satisfy the unrelated clients test?

- **Yes** – Print **X** in the box at **P1 Personal services income (PSI)** – label **D1** in your schedule. Read on.
- **No** – Read on.

You satisfy the unrelated clients test for 2024–25 if you can answer yes to the following questions:

- Do you receive PSI from 2 or more clients who aren't associated with each other or with you?
- Are those clients obtained as a direct result of making offers to the public, for example, by advertising?
  Don't count clients you get by registering with a labour-hire firm, placement agency or similar organisation.

Did you satisfy the employment test?

- **Yes** – Print **X** in the box at **P1 Personal services income (PSI)** – label **E1** in your schedule. Read on
- **No** – Read on.

You satisfy the employment test in 2024–25 if you can answer yes to either of the following questions:

- Do you have one or more apprentices for at least half of 2024–25?
- Did you have employees, or do you engage subcontractors or entities, who performed at least 20% (by market value) of your principal work?

Principal work is the main work that generates the PSI and doesn't usually include support work, such as secretarial duties. You can count a spouse or a family member who does principal work, but not companies, partnerships or trusts associated with you.

Do you satisfy the business premises test?

- **Yes** – Print **X** in the box at **P1 Personal services income (PSI)** – label **F1** in your schedule. Read on.
- **No** – Read on.

You satisfy the business premises test if you can answer yes to all the following questions. For the whole period during which you earned PSI, do you maintain and use business premises that:

- are mainly used by you for work in earning your PSI, that is, more than 50% of the activities conducted at the premises are directed at producing your PSI
- you have exclusive use
- are physically separate from your private residence or the private residence of any of your associates
- are physically separate from the business premises of your clients or their associates?

If you print **X** at label **D1**, **E1** or **F1** – go to, P2 Description of main business or professional activity. Otherwise read on.

Part B

Don't show PSI amounts that are subject to foreign resident withholding in part B. Show these at P8 Business income and expenses.

You need to know

You must complete Part B of **P1 Personal services income (PSI)** if you receive PSI and you don't:

- receive a personal services business determination in relation to your PSI
- satisfy the results test, or
- satisfy at least one of the other 3 personal services business tests (if less than 80% of your PSI came from each client).

Your PSI is divided into:

- payments you receive under a PAYG voluntary agreement to withhold tax
- payments you receive from which tax is withheld because you didn't quote your Australian business number (ABN) to one of your payers
- payments you receive for working under a labour-hire arrangement or from a specified payment
- other PSI.

Goods and services tax (GST)

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

Former STS taxpayers

If you're eligible and are continuing to use the simplified tax system (STS) accounting method, you must complete the income and deduction parts of **P1 Personal services income (PSI)** using the STS accounting method.

Individual PAYG payment summary schedule

If tax is withheld from business income, you should receive a payment summary.

You'll need to complete the *Individual PAYG payment summary schedule* before completing the rest of **P1 Personal services income (PSI)** if you receive one of the following:

- PAYG payment summary – business and personal services income
- PAYG payment summary – withholding where ABN not quoted.

While the *PAYG payment summary – business and personal services income* allows reporting of different payment types (including labour hire or other specified payments and voluntary agreement), you must specify on the schedule the nature of the income and the payment type made to you.

A payer may issue a receipt, remittance advice or similar document in place of the *PAYG payment summary – withholding where ABN not quoted*. This document must contain the same details as the payment summary and the payer must sign the statement.

If you receive income from which tax is withheld and you didn't receive or have lost your payment summary, contact your payer and ask for a copy.

For instructions on completing the statement, see Individual payment summary schedule and instructions.

Don't attach the payment summaries to your tax return. You must keep them for a period of 5 years.

Payers must report to us details of payments where amounts of tax are withheld. This information will be cross-checked with that in your tax return to make sure that you declare the correct amount of income and the correct amount of tax withheld.

You may need 2 payment summary schedules. If you have both PSI (at **P1 Personal services income (PSI)**) and business income (**P8 Income**), you'll need to complete an *Individual PAYG payment summary schedule* for each type of income.

Income

This section deals with:

- PSI – voluntary agreement
- PSI – where Australian business number not quoted
- PSI – labour hire or other specified payments
- PSI – other

PSI – voluntary agreement

Follow the instructions to complete this label.

Do you receive any PSI that is subject to a PAYG voluntary agreement?

- **No** – Go to PSI – where Australian business number not quoted
- **Yes** – Read on.

The amount you show at label **M** is the total income you receive that is subject to a PAYG voluntary agreement, including amounts of tax withheld. You'll be able to calculate this amount from your completed payment summary schedule.

Completing this question

Add up all the **Gross payment** amounts on your completed payment summary schedule that have a **V** in the corresponding **Type** box. Write the total at **P1 Personal services income (PSI)** – label **M**. Don't show cents.

If you complete **P1 Personal services income (PSI)** – label **M**, you must also complete question **14** – label **G** in your supplementary tax return.

PSI – where Australian business number not quoted

Follow the instructions to complete this label.

Do you have any amounts of tax withheld from your PSI for failure to quote your ABN?

- **No** – Go to PSI – labour hire or other specified payments.
- **Yes** – Read on.

The amount you show at label **N** is your total PSI from which an amount is withheld because you didn't quote your ABN, including the amounts of tax withheld. You'll be able to calculate this amount from your completed payment summary schedule.

Completing this question

Add up all the **Gross payment** amounts on your completed payment summary schedule that have an **N** in the corresponding **Type** box. Write the total at **P1 Personal services income (PSI)** – label **N**. Don't show cents.

If you complete **P1 Personal services income (PSI)** – label **N**, you must also complete question **14** – label **H** in your supplementary tax return.

PSI – labour hire or other specified payments

Follow the instructions to complete this label.

Do you receive any PSI under a labour-hire arrangement or from a specified payment?

- **No** – Go to PSI – other.
- **Yes** – Read on.

Specified payments include:

- tutorial services you provide for the Indigenous Student Success Programme (formerly known as the Indigenous Tutorial Assistance Scheme) of the Department of the Prime Minister and Cabinet
- income from translation and interpretation services for the Translating and Interpreting Service National of the Department of Home Affairs
- income as a performing artist in a promotional activity.

The amount you show at label **O** is the total income you receive from labour hire or other specified payments, including amounts of tax withheld. You'll be able to calculate this amount from your completed *Individual payment summary schedule*.

Don't include income you receive as an employee of a labour-hire business. These amounts will appear on your *PAYG payment summary – individual non-business* and you should show them at question **1** in your tax return.

Completing this question

Add up all the **Gross payment** amounts on your completed payment summary schedule that have an **S** in the corresponding Type box. Write the total at **P1 Personal services income (PSI)** – label **O**. Don't show cents.

If you complete **P1 Personal services income (PSI)** – label **O**, you must also complete question **14** – label **J** in your supplementary tax return.

PSI – other

Follow the instructions to complete this label.

Do you receive any other PSI?

- **No** – Go to Deductions.
- **Yes** – Read on.

Work out the total amount of other PSI and write this amount at **P1 Personal services income (PSI)** – label **J**. If you're registered or required to be registered for GST, don't include any GST amounts in your assessable income.

Deductions

If the PSI rules apply, this affects the deductions you can claim against your PSI. They don't affect your legal, contractual or workplace arrangements and you won't be treated as an employee as a result of the PSI rules.

The information on this page is a guide only. You may need further information to determine whether a deduction is available in your circumstances, Taxation Ruling TR 2003/10 *Income tax: deductions that relate to personal services income* explains the PSI deduction limitation rules. For more information, see claiming deductions when receiving PSI.

What deductions you may be able to claim

Subject to exceptions, the general rule is that you may claim an amount used to gain or produce your PSI if you could claim that amount if the income was payable to you as an employee.

The following are examples of items you may be able to claim a deduction for:

- premiums for workers compensation, public liability and professional indemnity insurance
- financial institution and other account-keeping fees and charges
- tax-related expenses, such as the cost of preparing and lodging a tax return or business activity statement (BAS)
- registration or licensing fees
- expenses for advertising, tendering and quoting for work
- deduction for decline in value of depreciating assets
- simplified depreciation (if you're a small business entity)
- running expenses for your home office, such as heating and lighting for using a room in your house as a home office (not including rent, mortgage interest, rates or land taxes)
- salary and wages for an arm's length employee (not an associate)
- contributions to a complying super fund on behalf of an arm's length employee (not an associate)
- reasonable amounts paid to an associate for principal work
- contributions to a complying super fund or retirement savings account up to the super guarantee amount for an associate doing solely principal work.

Don't include any amount that was a super contribution for yourself. You must claim any deduction for your own super contributions at question D12 in your supplementary tax return.

What you can't claim

You can't claim an amount for the following that relates to earning your PSI:

- rent, mortgage interest, rates or land tax for your residence (or the residence of an associate)
- amounts paid to an associate for non-principal work, for example, support such as secretarial work
- contributions to a super fund for an associate doing solely non-principal work.

Deductions for payments to associates for principal work

Answer this question to complete label **K**.

Do you have deductions for payments to associates for principal work?

- **No** – Go to Total amount of other deductions against PSI.
- **Yes** – Read on.

Add up the total amount of payments made to associates for principal work. Write the total at **P1 Personal services income (PSI)** – label **K**.

Total amount of other deductions against PSI

Answer this question to complete label **L**.

Do you have other allowable deductions against your PSI?

- **No** – Go to Net PSI.
- **Yes** – Read on.

You need to know

In answering this question, you include only non-commercial business losses deferred from a prior income year if they relate to a business activity which is the same as, or similar to, one of your 2024–25 business activities. If a sole trader has a PSI loss, and they aren't a personal services business, then that PSI loss sits with the individual who generated the income. For an explanation of how the non-commercial business loss rules work, see How to attribute PSI, and P9 Business loss activity details.

Your non-commercial business loss deduction may be reduced if you either:

- earn net exempt income in 2024–25
- become bankrupt or are released from any debts by the operation of an Act relating to bankruptcy.

For more information, see How to defer your losses.

Completing this question

Add up the total amount of all other expenses (including non-commercial business losses deferred from a prior income year) that you can deduct from your PSI. Write the amount at **P1 Personal services income (PSI)** – label **L**.

Don't include amounts already recorded at **P1 Personal services income (PSI)** – label **K**.

If you're registered or required to be registered for GST, your deductions shouldn't include the amount that relates to input tax credit entitlements.

Net PSI

To work out your net PSI go through the following steps:

Step 1: Add up the amounts shown at **P1 Personal services income (PSI)** – labels **M**, **N**, **O** and **J**.

Step 2: Add up the amounts shown at **P1 Personal services income (PSI)** – labels **K** and **L**.

Step 3: Subtract the amount calculated at step 2 from the amount calculated at step 1. Write your answer at **P1 Personal services income (PSI)** – label **A**.

Step 4: Transfer the amount at **P1 Personal services income (PSI)** – label **A** to question **14** – label **A** of your supplementary tax return.

If the amount is a loss, you must:

- print **L** in the **Loss** box at the right of **P1 Personal services income (PSI)** – label **A**
- print **L** in the **Loss** box at the right of question **14** – label **A** in your supplementary tax return.

Other business income

Answer the following question to complete this item.

Do you have any business income other than PSI?

- **Yes** – Go to P2 Description of main business or professional activity.
- **No** – Read on.

Finishing your schedule

If the only income you need to show on your schedule is PSI, you only complete:

- P2 Description of main business or professional activity
- P3 Number of business activities
- P9 Business loss activity details if you had a loss
- P10 Small business entity simplified depreciation – if you're a small business entity and have chosen to use the simplified depreciation rules.

Check that you:

- Transfer your net PSI amount from **P1 Personal services income (PSI)** – label **A** to question **14** – label **A** in your supplementary tax return.
  If this amount is a loss, check that you printed **L** in the **Loss** box **P1 Personal services income (PSI)** – label **A**.
- Complete and attach your *Individual PAYG payment summary schedule* to your tax return (if you receive PSI that was subject to withholding).

Business information – P2 to P6

Instructions to complete P2, P3, P4, P5 and P6 business information.

P2 Description of main business or professional activity

Describe the main business or professional activity that your gross income comes from as accurately as possible – for example, beef cattle breeder, vegetable grower, clothing manufacturer, confectionery wholesaler, or electrical goods retailer.

Don't use general descriptions, such as farmer, manufacturer or wholesaler.

At **P2 Description of main business or professional activity**, write the description of your main business or professional activity.

P3 Number of business activities

Write at **P3** – label **B** the number of separate and distinct business activities you operate as a sole trader and in partnership during 2024–25. If you operate only one business activity, write one (**1**).

The number of business activities you show at label **B** should not be less than the number you show at P9 Business loss activity details.

P4 Status of business

If you cease your main business during 2024–25, print **X** at **P4** – label **C1** in of your schedule.

If you commence a new business during 2024–25, print **X** at **P4** – label **C2**.

If more than one option applies, only print **X** at **P4** – label **C1**. If neither option applies, leave both boxes blank.

P5 Business name of main business and ABN

Write the registered business name and ABN of your main business in your schedule.

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

If the business name is legally changed with the Australian Securities and Investments Commission (ASIC), advise us in writing at the time you make the change. Show the current business name in your tax return.

P6 Business address of main business

Write the business address (street name, suburb or town and state) of the place you conduct most of your business operations at in your schedule.

Write the postcode of this address at **P6** – label **D**.

Business income and expenses – P8

Instructions to complete P8 Business income and expenses.

About P8 Business income and expenses

Find out what income and expenses you need to include at P8.

Amounts to include

Include in the **P8 Business income and expenses** amounts derived from your accounting system or financial statements, excluding both:

- the values of opening and closing stock, which are to be shown as tax values
- depreciation expenses for small business entities choosing to use the simplified depreciation rules, which are to be shown as tax values.

The income and expense amounts to be included should form part of your profit and loss statement and are the basis for calculating your net profit or loss. You should deal with any adjustments to these amounts for tax purposes at **P8 Reconciliation items**.

Show PSI and related expenses at **P1 Personal service income** and PSI subject to foreign resident withholding at **P8** – label **B**.

Former STS taxpayers

If you're eligible and are continuing to use the STS accounting method, you must use it to complete the income and expenses sections.

For more information, see Former simplified tax system (STS) taxpayers.

Income P8

Find out what to include as business income at P8.

Business income

The business income to include is divided into:

- income from which tax is withheld because you didn't quote your ABN to one of your payers
- gross payments subject to foreign resident withholding (excluding capital gains)
- income that is subject to a PAYG voluntary agreement to withhold tax
- income you receive under a labour-hire arrangement or from other specified payments
- assessable government industry payments
- other business income.

For more information, see What to include in your business's assessable income.

Crypto assets

Crypto assets are a digital representation of value that you can transfer, store, or trade electronically. This also includes non-fungible tokens.

For tax purposes, crypto assets aren't a form of money.

The way you use or transact with crypto assets will determine how you treat them for tax purposes.

For more information on the tax treatment of crypto assets used in business, see Crypto assets and business.

Sharing economy

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

- ride-sourcing
- renting out all or part of a house or unit on a short-term basis
- hiring assets like cars, caravans, storage or business spaces, tools or personal belongings
- providing services or completing tasks through a digital platform.

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

- question **1** in your tax return if you're an employee
- question **24** in your supplementary tax return, if other income.

For more information, see Sharing economy and tax.

Don't show the following types of income at **P8 Income**:

- Gross interest, show the amount of income at question **10** in your tax return.
- Dividends and franking credits, show the amounts at question **11** in your tax return.
- Distributions from partnerships and trusts, show these at question **13** in your supplementary tax return.
- Gross rental or similar income, including amounts from renting out all or part of your home through the sharing economy, that isn't derived from carrying on a business of renting property, such as agistment or hire fees. Show this amount at question **21** in your supplementary tax return.
- Income you earn through the sharing economy or other digital platform not derived from carrying on a business. Show this amount at question **24** in your supplementary tax return or question **1** in your tax return if you're an employee of the digital platform.
- Net capital gains, show these at question **18** in your supplementary tax return.
- PSI you show at **P1 Personal service income** in your schedule.
- Farm management repayments, show these at question **17** in your supplementary tax return.
- Attributed foreign income, show it at question **19 i**n your supplementary tax return.
- Foreign source income, show it at question **20** in your supplementary tax return.

Goods and services tax (GST)

If you're registered or required to be registered for GST, you need to:

- Consider your assessable income, exempt income and amounts you receive or receivable. For tax purposes you should exclude the GST from those amounts when you calculate your income.
- Reduce deductible losses and deductible business expenses by the amount of your input tax credit entitlement. In certain circumstances, you could make an adjustment for GST purposes. For example, a change in how much you use an asset for business purposes could increase or decrease your GST component. This could alter your assessable income or deductible business expenses.
- Exclude GST where rules for capital gains tax and capital allowances are applicable.

If you're not registered for GST, or not required to be registered for GST, you don't need to adjust your income and deductions for GST. You can claim the GST-inclusive amount you incur on deductible business expenses.

What you may need

- Primary production worksheet: If you're a primary producer, you'll need this worksheet to help you determine some of the amounts in this section. Complete the worksheet before proceeding.
- Individual PAYG payment summary schedule and instructions

You need to complete *Individual PAYG payment summary schedule* before completing **P8 Business income and expenses** if you receive any of the following payment summaries:

- PAYG payment summary – business and personal services income
- PAYG payment summary – withholding where ABN not quoted
- PAYG payment summary – foreign employment.

The PAYG payment summary – business and personal services income allows reporting of different payment types (including voluntary agreement, labour hire or other specified payments). When completing the individual payment summary schedule, you must specify the nature of the income, and the payment type made to you.

A payer may issue a receipt, remittance or similar document in place of the *PAYG payment summary – withholding where ABN not quoted* containing the same information as a payment summary.

If you receive income from which tax was withheld and you didn't receive or have lost your payment summary, contact your payer and ask for a copy.

Do you have amounts withheld from your business income – other than PSI included at P1?

- **No** – Go to Assessable government industry payments.
- **Yes** – Read on.

If tax is withheld from business income, you should receive a payment summary or an income statement from the payer.

Gross payments where Australian business number (ABN) not quoted

Follow the instructions to complete these labels.

Do you have amounts of tax withheld for failure to quote an ABN?

- **No** – Go to Gross payments subject to foreign resident withholding (excluding capital gains).
- **Yes** – Read on.

You need to know

The amounts you show at **P8 Income** – labels **C** and **D** is the total income you receive, from which your payers have withheld tax because you didn't quote your ABN. You'll be able to calculate these amounts from your completed *Individual PAYG payment summary schedule* .

Completing this question

Step 1: Add up all the **Gross payment** amounts on your completed payment summary schedule, derived from primary production activities that have an **N** in the **Type** box. Write the total at **P8 Income** – label **C** on your schedule. Don't show cents.

Step 2: Add up all the **Gross payment** amounts on your completed payment summary schedule, derived from non-primary production activities that have an **N** in the **Type** box. Show the total at **P8 Income** – label **D**. Don't show cents.

Step 3: Add up the amounts you have written at labels **C** and **D** and enter the total in the adjacent **Totals** box.

If you complete **P8 Income** – labels **C** and **D**, you must complete question **15** – label **W** in your supplementary tax return.

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

Follow the instructions to complete this label.

Do you receive any payments that are subject to foreign resident withholding (excluding capital gains)?

- **No** – Go to Gross payments – voluntary agreement.
- **Yes** – Read on.

You need to know

The amount you show at label **B** is the total income you receive from your payers that is subject to foreign resident withholding. It includes any amounts of tax withheld. You calculate this amount from your completed *Individual PAYG payment summary schedule*.

Don't include amounts subject to foreign resident capital gains withholding. Include these amounts at question **18 Capital gains** in your supplementary tax return.

Completing this question

Step 1: Add up all the **Gross payment** amounts on your completed payment summary schedule derived from non-primary production activities that have an **F** in the **Type** box. Write the total at **P8 Income** – label **B**. Don't show cents.

Step 2: Transfer the amount at label **B** to the adjacent **Totals** box.

If you complete **P8 Income** – label **B**, you must complete question **15** – label **E** in your supplementary tax return.

Gross payments – voluntary agreement

Follow the instructions to complete this label.

Do you receive any income that is subject to a PAYG voluntary agreement?

- **No** – Go to Gross payments – labour hire or other specified payments.
- **Yes** – Read on.

You need to know

The amounts you show at **P8 Income** – labels **E** and **F** is the total income you receive that is subject to a voluntary agreement to withhold tax and include the tax withheld. You'll be able to calculate this amount from your completed *Individual PAYG payment summary schedule*.

Completing this question

Step 1: Add up all the **Gross payment** amounts on your completed payment summary schedule derived from primary production activities that have a **V** in the **Type** box. Write the total at **P8 Income** – label **E** in your schedule. Don't show cents.

Step 2: Add up all the **Gross payment** amounts on your completed payment summary schedule derived from non-primary production activities that have a **V** in the **Type** box. Write the total at **P8 Income** – label **F**. Don't show cents.

Step 3: Add up the amounts you show at **P8 Income** – labels **E** and **F**, and write the total in the adjacent **Totals** box.

If you complete **P8 Income** – label **E** or **F**, you must complete question **15** – label **D** in your supplementary tax return.

Gross payments – labour hire or other specified payments

Do you receive either:

- income under a labour-hire arrangement
- a specified payment, including any of the following
  - income from tutorial services you provided for the Indigenous Student Success Programme (formerly known as the Indigenous Tutorial Assistance Scheme) of the Department of the Prime Minister and Cabinet
  - income from translation and interpretation services for the Translating and Interpreting Service National of the Department of Home Affairs
  - income as a performing artist in a promotional activity.

If you answer:

- **No** – Go to Assessable government industry payments.
- **Yes** – Read on.

You need to know

The amount you show at **P8 Income** – label **O** is the total income you receive from labour hire or specified payments and includes the tax that is withheld. You can calculate this amount from your completed *Individual PAYG payment summary schedule*.

Don't include income you receive as an employee of a labour-hire business. That income appears on your income statement or *PAYG payment summary – individual non-business*. Write it at question **1** in your tax return.

Completing this question

Step 1: Add up all the **Gross payment** amounts on your completed payment summary schedule that have an **S** in the **Type** box. These amounts are non-primary production income. Show the total at **P8 Income** – label **O**. Don't show cents.

Step 2: Transfer the amount at **P8 Income** – label **O** to the adjacent **Totals** box.

If you complete **P8 Income** – label **O**, you must complete question **15** – label **F** in your supplementary tax return.

It is expected you'll not have any primary production amounts at this question. Leave **P8 Income** – label **N** blank.

Assessable government industry payments

Follow the instructions to complete this label.

Do you receive assessable government industry assistance?

- **No** – Go to Other business income.
- **Yes** – Read on.

You need to know

Generally, government credits, grants, rebates, bounties and subsidies are assessable income of the recipient if they are received in, or in relation to, the carrying on of a business. This includes amounts that are of a capital nature. Amounts relating to the commencement or cessation of a business may give rise to a capital gain. 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. Only those grants and payments that are assessable income need to be included at this question.

Don't include at this question the following grants and payments: Commonwealth and State government grants and payments that are tax free.

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

Examples of assessable government industry assistance are:

- bounties
- employee subsidies
- export incentive grants
- fuel tax credits
- industry restructuring and adjustment payments
- Apprentices and Trainees wage subsidy
- producer rebate (wine equalisation tax)
- excise refund scheme for alcohol manufacturers
- product stewardship for oil program benefit.

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*

Don't show 'Medicare payments received by medical practices' at this question. Show them at **Other business income**.

Completing this question

Step 1: Write the total primary production government industry payments you receive by each business at **P8 Income** – label **G** in your schedule. Don't show cents. If you have completed the **Gross income from primary production** worksheet in *Information for primary producers 2025*, include at **P8 Income** – label **G** the amount from **PP11** in the worksheet.

Step 2: Write the total non-primary production government industry payments you receive by each business at **P8 Income** – label **H**. Don't show cents.

Step 3: If your assessable government industry payments include fuel tax credits, producer rebate (wine equalisation tax), excise refund scheme for alcohol manufacturers or product stewardship for oil program benefit, print **D** in the **Type** box at the right of the amount at **P8 Income** – label **G** (for primary production government industry payments) or label **H** (non-primary production government industry payments).

Step 4: Add up the amounts you have written at **P8 Income** – labels **G** and **H** and write the total in the adjacent **Totals** box.

Other business income

Do you receive any other business income?

- **No** – Go to Total business income.
- **Yes** – Read on.

You need to know

Other business income includes:

- gross sales of trading stock
- gross sales from produce
- goods taken from stock for your own use
- value of livestock killed for rations
- value of livestock exchanged for other goods or services
- gross earnings from services
- rent derived from carrying on a business of renting property
- income earned through the sharing economy, or other marketplace, where you're carrying on a business
- taxi driver and ride-sourcing earnings (income you earn as a non-employee taxi driver if you don't show it at item **P1**)
- amounts received as recoupment of expenses
- bad debts recovered
- profit on sale of depreciating assets
- royalties
- insurance recoveries
- subsidies
- employee contributions for fringe benefits
- assessable non-government assistance from all sources
- foreign exchange (forex) gains.

Your 'other business income' excludes amounts shown at labels **C**, **D**, **B**, **E**, **F**, **N**, **O**, **G** and **H** in your schedule.

If you're a primary producer, you must add the amounts shown at **PP1**, **PP2**, **PP6**, **PP7** and **PP10** on your **Gross income from primary production** worksheet. This worksheet is included in Information for primary producers 2025. You must add the total to any other income from a business of primary production referred to above. You show the total of all other income from the business of primary production at **P8 Income** – label **I** in your schedule.

Completing this question

Step 1: Write your total amount of 'other' primary production business income or loss at **P8 Income** – label **I** in your schedule. Don't show cents.

Step 2: If you make a loss, print **L** in the box at the right of the amount at label **I**.

Step 3: Write your total amount of 'other' non-primary production business income or loss at label **J**. Don't show cents.

Step 4: If you make a loss, print **L** in the box at the right of the amount at label **J**.

Step 5: Add up your 'other' primary production and non-primary production business income or loss and write the total in the adjacent **Totals** box.

Step 6: If you make a loss, print **L** in the box at the right of the **Totals** box.

Total business income

Step 1: Add up the primary production amounts shown at **P8 Income** – labels **C**, **E**, **G** and **I** in your schedule. Write the total at **TOTAL BUSINESS INCOME** in the Primary production column.

Step 2: If you make a loss, print **L** in the box at the right of the amount at **TOTAL BUSINESS INCOME** in the Primary production column.

Step 3: Add up the non-primary production amounts shown at **P8 Income** – labels **D**, **B**, **F**, **O**, **H** and **J**. Write the total at **TOTAL BUSINESS INCOME** in the Non-primary production column.

Step 4: If you make a loss, print **L** in the box at the right of the amount at **TOTAL BUSINESS INCOME** in the **Non-primary production** column.

Step 5: Add up the amounts at **TOTAL BUSINESS INCOME** in the **Primary production** and **Non-primary production** columns and write the total in the adjacent **Totals** box. If you make a loss, print **L** in the box at the right of this amount.

Expenses P8

Find out what to include as business expenses at item P8.

Expenses you don't include

Don't include the following expenses on your schedule:

- non-business interest and dividend income expenses; claim deductible expenses at questions **D7** and **D8** in your tax return
- farm management deposits; include them at question **17** in your supplementary tax return
- non-business rental expenses; claim deductible expenses at question **21** in your supplementary tax return
- expenses and losses relating to foreign source income; these are included as required at question **20** or, in the case of certain debt deductions, claimed at question **D15** in your supplementary tax return
- expenses relating to your PSI shown at **P1 Personal services income** in your schedule
- low-value pool deduction, where the pool contains assets used for work-related, self-education or non-business rental purposes. These are claimed under question D6 in *Individual tax return instructions 2025*.

Your expenses may include expenditure relating to either:

- the acquisition and disposal of crypto assets in the ordinary course of your business
- the arm's length value of the business item (including trading stock) acquired using crypto assets.

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

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.

If you're a primary producer, you'll need a primary production worksheet to help you work out some of the amounts in this section. This worksheet is included in Information for primary producers 2025. Complete the worksheet before proceeding.

Goods and services tax

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

If you pay GST by instalments and incur a penalty for underestimating a varied GST instalment, you can claim a deduction for the penalty at question **D10** in your tax return. Don't show the penalty on your *Business and professional items for individuals 2025*.

For more information, see Individual tax return instructions 2025.

Prepayments of $1,000 or more

If you made a prepayment of $1,000 or more for something to be done (in whole or in part) after 30 June 2024, the timing of your deduction may be affected by the rules relating to prepayments. You'll need to apportion your deduction for prepaid business expenditure over the lesser of the service period or 10 years.

There is an exception if the 12-month rule applies and you're a small business entity, or you would be a small business entity if the aggregated turnover threshold was less than $50 million.

Where expenses shown at **P8 Expenses** include prepaid expenses that differ from the amounts allowable as deductions in 2024–25, make an expense reconciliation adjustment at **P8 Reconciliation items** – label **H**.

For more information, see Deductions for prepaid expenses 2025

Thin capitalisation rule

The thin capitalisation provisions apply to entities (including individuals) to reduce certain deductions (called 'debt deductions') for costs you incur in obtaining and servicing debt finance.

A debt deduction is a cost an entity incurs including interest, an amount in the nature of interest, or any other amount that is economically equivalent to interest, where the expense is otherwise deductible if the thin capitalisation rules are disregarded.

The thin capitalisation rules may apply to you if either:

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

The thin capitalisation rules won't affect you if :

- an entity whose debt deductions, together with those of any associate entities, are less than the de-minimis threshold of $2 million for the income year (see section 820-35 of the *ITAA 1997*)
- an Australian resident entity that is neither foreign controlled nor has any overseas operations or investments (unless it is an associate of another Australian entity that does)
- a foreign entity that has no investment or presence in Australia
- an Australian entity with overseas operations or investments, or an Australian entity that is an associate of such an entity that isn't also foreign controlled and that meets the Australian assets threshold test. See, section 820-37 of the *ITAA 1997*.

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

For more information, see Thin capitalisation.

Debt deduction creation rules

For income years that commence on or after 1 July 2024, the debt deduction creation rules (DDCR) operate to disallow related party debt deductions for certain related party arrangements. The DDCR apply to:

- arrangements you enter into before 1 July 2024 where debt deductions continue to arise
- new arrangements you enter into on or after 1 July 2024.

The DDCR applies to multinational businesses (that is, businesses operating in Australia and at least one other jurisdiction), including private businesses and privately owned groups.

Exemptions from the DDCR

The DDCR don't apply to:

- entities that, together with their associate entities, have $2 million or less of debt deductions for an income year
- authorised deposit-taking institutions (ADIs)
- securitisation vehicles
- Australian plantation forestry entities
- certain special purpose entities.

Who can the DDCR apply to:

The DDCR can apply to:

- an Australian resident that either:
  - carries on business in a foreign country at or through a permanent establishment
  - has a controlling interest in any offshore entity (no matter the size or turnover of that offshore entity).
- a foreign resident with operations or investments in Australia that is claiming debt deductions.

The DDCR disallows debt deductions for certain related party arrangements. As the DDCR focuses on the creation of debt deductions, it doesn't matter whether the arrangement involves resident or non-resident entities. This means that onshore and cross-border related party arrangements can trigger the DDCR.

Affected individuals should closely consider whether their arrangements, including wholly domestic arrangements, may be affected by the DDCR.

The DDCR applies to debt deductions created by historical transactions

The DDCR disallows debt deductions arising in relation to certain related party arrangements, including arrangements undertaken (entirely or partially) before 1 July 2024.

For example, the DDCR will apply to interest arising under a related party loan that is still on foot (or has been refinanced) where the related party loan funded a historical transaction caught by the DDCR.

Privately owned groups should closely examine their existing related party borrowings to consider whether they may have funded a historical transaction which is caught by the DDCR.

Types of arrangements

The DDCR operates to disallow debt deductions arising on certain related party arrangements. The DDCR applies to 2 types of arrangement. For more information on these arrangements, see More about the debt deduction creation rules.

For more information, see:

- Debt deduction creation rules and Division 7A
- Draft Practical Compliance Guideline PCG 2024/D3 *Restructures and the new thin capitalisation and debt deduction creation rules - ATO compliance approach*

Opening stock

Follow the instructions to complete this item.

Do you have trading stock on hand at the start of the year?

- **No** – Go to Purchases and other costs.
- **Yes** – Read on.

You need to know

The opening value of an item of stock must equal its closing value in the previous year. The total value of all stock on hand at the start of the year is equal to the amount shown as closing stock on your 2024 schedule.

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

Don't include any amounts representing opening stock of a business that commenced operations during the year. Include the purchase costs of these items in the relevant **Purchases and other costs** box.

Completing this question

Step 1: Write the total value of your primary production opening stock at **Opening stock** in the Primary production column, **P8 Expenses** in your schedule. Don't show cents.

Step 2: Write the total value of your non-primary production opening stock at **Opening stock** in the Non-primary production column, **P8 Expenses**. Don't show cents.

Step 3: Add up your primary production and non-primary production opening stock values and show the total at label **K**.

Purchases and other costs

Follow the instructions to complete this label.

Do you have purchases and other costs?

- **No** – Go to Closing stock.
- **Yes** – Read on.

You need to know

Purchases and other costs represent the direct cost of materials used for manufacture, sale or exchange in deriving the gross proceeds or earnings of the business. It includes inwards freight and the cost of stock acquired when starting or acquiring a business during the year. It may also include some costs for labour and services provided under contract, if these are recorded in the cost of sales account in your business books of account. If so, don't include this amount as **Contractor, sub-contractor and commission expenses**.

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

Completing this question

Step 1: Work out the value of your primary production purchases and other costs directly related to trading stock. If you have more than one business, add up all your primary production purchases and costs.

Step 2: Write the total value of your primary production purchases and other costs directly related to trading stock at **Purchases and other costs** in the Primary production column, **P8 Expenses** in your schedule. Don't show cents.

Step 3: Work out the value of your non-primary production purchases and other costs directly related to trading stock. If you have more than one business add up all your non-primary production purchases and other costs.

Step 4: Write the total value of your non-primary production purchases and other costs directly related to trading stock at **Purchases and other costs** in the Non-primary production column, **P8 Expenses**. Don't show cents.

Step 5: Add up your primary production and non-primary production purchases and other costs directly related to trading stock, and show the total at label **L**.

Former STS taxpayers

If you're eligible and are continuing to use the STS accounting method, write at label **L** only purchases and other costs that you have paid.

For more information, see Former simplified tax system (STS) taxpayers.

Closing stock

Answer the following questions to complete this label.

Do you have trading stock on hand at the end of the year?

- **No** – Go to Cost of sales.
- **Yes** – Read on.

Are you a small business entity choosing to use the simplified trading stock rules?

- **No** – Go to Other businesses.
- **Yes** – Read on.

Small business entities need to know

You need to account for changes in the value of your trading stock only if there is a difference of more than $5,000 between the value of all your stock on hand at the start of the income year and a reasonable estimate of the value of all your stock on hand at the end of the income year.

The value of your stock on hand at the start of the income year is the same value as the closing value shown in your schedule in the previous year. This may not necessarily reflect the actual value of your stock if you did not account for the change in value of your stock in the previous year. For more information on a reasonable estimate of the value of stock, see Simplified trading stock rules.

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

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

- **Yes** – You must account for changes in the value of your trading stock. Go to step 2.
- **No** – If you choose not to account for changes in the value of your trading stock, go to step 1. Otherwise, go to step 2.

Completing this question

Step 1: If the difference referred to is $5,000 or less and you choose not to account for this difference, the closing stock values you put in both the Primary production and Non-primary production columns at **P8 Expenses** in your schedule must be the same as the values you put at **Opening stock**. Don't put your reasonable estimate.

Add up your primary production and non-primary production closing stock values, and enter the total at label **M**.

Enter in the **Type** box at the right of label **M** the code letter you used last year to value closing stock:

- **C** cost
- **M** market selling value
- **R** replacement value.

If this is your first year in business, the value of your closing stock will be zero. Print **C** in the **Type** box. Go to Cost of sales.

Step 2: If the difference referred to above is more than $5,000 or you choose to account for the difference in trading stock, the closing stock values must be brought to account under section 70-35 of the *ITAA 1997*. See Other businesses for how to complete this question.

You must include in your closing stock value at **P8** – label **M** the value of all stock on hand, regardless of whether you have paid for the stock.

Other businesses need to know

The amount you show at Closing stock is the total of the value of all items of trading stock, with the value of each item calculated for tax purposes in accordance with section 70-45 of the ITAA 1997.

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

Manufacturers must include as trading stock partly manufactured goods and materials on hand. However, closing stock excludes any amount that represented closing stock of a business that ceased operations during the year. This amount is included in Other business income at **P8** – labels **I** or **J**.

For more information on what constitutes trading stock, see Simplified trading stock rules.

You can choose one of the following 3 methods to value your trading stock:

- cost
- market selling value
- replacement value.

You may elect to value an item of trading stock below the lowest value calculated by any of these methods. This may be because it has become obsolete or there are other special circumstances. The value you elect must be reasonable. Where you elect to value an item of trading stock below cost, market selling value and replacement value, you must complete **P19** in your schedule.

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

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

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

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

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

Completing this item

Step 1: Work out the value of your primary production closing stock. If you have more than one business, add up all your primary production closing stock values.

Step 2: write the total value of your primary production closing stock at **Closing stock** in the Primary production column, item **P8** in your schedule. Don't show cents.

Step 3: Work out the value of your non-primary production closing stock. If you have more than one business, add up all your non-primary production closing stock values.

Step 4: Write the total value of your non-primary production closing stock at **Closing stock** in the Non-primary production column. Don't show cents.

Step 5: Add up your primary production and non-primary production closing stock values and write the total at label **M**.

Step 6: From the list below, choose the letter that matches the method you used to value closing stock. If more than one method was used, select the letter that applies to the largest value:

- **C** cost
- **M** market selling value
- **R** replacement value.

Step 7: Print the letter from step **6** in the **Type** box at the right of the amount at label **M**.

Cost of sales

Answer the following question to complete this label.

Do you have any cost of sales?

- **No** – Go to Foreign resident withholding expenses.
- **Yes** – Read on.

You need to know

Goods taken for your own use should not be accounted for as stock on hand at 30 June 2025. Include at **P8** – labels **I** and **J** in your schedule the value of:

- livestock killed for rations
- livestock exchanged for other goods or services
- goods taken for your own use.

Use **worksheet 1** to work out your cost of sales.

Worksheet 1 – Cost of sales

Row	Calculation elements	Primary production	Non-primary production
a	Stock at 1 July 2024	$	$
b	Purchases at cost	$	$
c	Freight inwards	$	$
d	Other, for example, labour and services	$	$
e	Add the amounts at rows **a**, **b**, **c** and **d**	$	$
f	Stock at 30 June 2025	$	$
-	Your cost of sales: Take away the amount at row **f** from the amount at row **e**	$	$

For more information on stock on hand at 1 July 2024, see Opening stock. For more information on stock on hand at 30 June 2025, see Closing stock.

Completing this question

Step 1: Write your total primary production cost of sales at **Cost of sales** in the Primary production column, **P8 Expenses** in your schedule. Don't show cents.

Step 2: If the cost of sales in the Primary production column, after subtracting row **f** from row **e**, is a negative amount, print **L** in the box at the right of this amount.

Step 3: Write your total non-primary production cost of sales at **Cost of sales** in the Non-primary production column. Don't show cents.

Step 4: If the cost of sales in the Non-primary production column, after subtracting row **f** from row **e**, is a negative amount, print **L** in the box at the right of this amount.

Step 5: Add up your primary production and non-primary production cost of sales and write the total at **Cost of sales** in the Totals column.

Step 6: If your total cost of sales is a negative amount, print **L** in the box at the right of this amount.

Foreign resident withholding expenses (excluding capital gains)

Answer the question below to complete this label.

Do you have any expenses directly relating to income subject to foreign resident withholding (excluding capital gains)?

- **No** – Go to Contractor, sub-contractor and commission expenses.
- **Yes** – Read on.

Completing this question

Step 1: Write your total non-primary production foreign resident withholding expenses at **Foreign resident withholding** expenses (excluding capital gains) in the Non-primary production column, **P8 Expenses** in your schedule. Don't show cents.

Step 2: Transfer the amount you wrote at step 1 to the adjacent **Totals** box at label **U**.

You'll not have any primary production expense amounts at this question.

Contractor, sub-contractor and commission expenses

Answer the following question to complete this label.

Do you incur any contractor, sub-contractor or commission expenses?

- **No** – Go to Superannuation expenses.
- **Yes** – Read on.

You need to know

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

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

Don't include the following at this question:

- expenses for external labour which have been included in the business cost of sales account
- expenses for accounting or legal services; include these at All other expenses
- expenses for payments made where the associated withholding obligations have not been complied with.

For more information, see Removing tax deductibility of non-compliant payments.

Completing this question

Step 1: Write your total primary production contractor, sub-contractor and commission expenses at **Contractor, sub-contractor and commission expenses** in the **Primary production** column, **P8** in your schedule. Don't show cents.

Step 2: Write your total non-primary production contractor, sub-contractor and commission expenses at Contractor, sub-contractor and commission expenses in the **Non-primary production** column. Don't show cents.

Step 3: Add up your primary production and non-primary production contractor, sub-contractor and commission expenses and write the total at label **F**.

Superannuation expenses

Answer the following question to complete this label.

Do you contribute to super for eligible parties?

- **No** – Go to Bad debts.
- **Yes** – Read on.

You need to know

Show super expenses for the income year. Don't include any amount that is a contribution for yourself. The deduction for your own super contributions must be claimed at question **D12** in your supplementary tax return. See question D12 in *Individual tax return instructions supplement 2025*.

Employers are entitled to a deduction for the contributions they make to a complying super, provident, benefit or retirement fund or retirement savings account (RSA) where the contributions are to provide either:

- super benefits for employees
- benefits to the employee's dependants on the employee's death.

A deduction is allowable in the income year in which the eligible contributions are made.

Contributions made to a non-complying fund:

- aren't allowable as a deduction
- don't count towards super guarantee obligations.

You can check the compliance status of super funds at superfundlookup.gov.au.

Under the super guarantee, an employer needs to provide a minimum level of super for employees. If the employer doesn't make the minimum contribution by the relevant date, they are required to pay the super guarantee charge on the super guarantee shortfall. The super guarantee charge isn't a super contribution and isn't tax deductible. Contributions made by employers to offset a super guarantee charge liability aren't deductible.

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

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

For more information, see Super contributions – too much can mean extra tax.

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

- the amount of the contribution required under an industrial award, determination or notional agreement preserving state awards
- the amount of the contribution that reduces an employer's charge percentage under the *Superannuation Guarantee (Administration) Act 1992* in respect of the employee, or
- where both amounts are applicable, apply the greater of the 2 amounts.

Completing this question

Step 1: Write your total primary production super contributions at **Superannuation expenses** in the Primary production column **P8** in your schedule. Don't show cents.

Step 2: Write your total non-primary production super contributions at **Superannuation expenses** in the Non-primary production column. Don't show cents.

Step 3: Add up your primary production and non-primary production super contributions and write the total at label **G**.

Bad debts

Answer the following question to complete this label.

Do you write off any bad debts in your business?

- **No** – Go to Lease expenses.
- **Yes** – Read on.

You need to know

Include income from the recovery of bad debts in **Other business income** at **P8** – labels **I** or **J**.

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

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

Don't include accounting provisions for doubtful debts at label **I**. You show them in the **Expenses** section at **All other expenses**, then add them back at label **H Expense reconciliation adjustments** in the **Reconciliation items** section.

For more information, see Taxation Ruling TR 92/18 *Income tax: bad debts*.

You can also claim a deduction for:

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

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

Keep a statement for all debtors whose bad debts you write off during 2024–25, showing:

- their name and address
- the amount of the debt
- the reason you regard the debt as bad
- where applicable, the year in which you included the amount as income.

Completing this question

Step 1: Write your total primary production bad debts at **Bad debts** in the Primary production column, **P8** in your schedule. Don't show cents.

Step 2: Write your total non-primary production bad debts at **Bad debts** in the Non-primary production column. Don't show cents.

Step 3: Add up your primary production and non-primary production bad debts and write the total at label **I**.

Lease expenses

Answer the following question to complete this label.

Do you have lease expenses in your business?

- **No** – Go to Rent expenses
- **Yes** – Read on.

You need to know

This is expenditure you incur on financial leases and on operating leases for assets such as motor vehicles and plant. Don't include the cost of leasing real estate (show this cost at label **K Rent expenses**).

If you include capital expenditure you incur to terminate a lease or licence, you'll need to add back the amount at label **H Expense reconciliation adjustments**. Although capital expenditure to terminate a lease or licence isn't 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 you incur to terminate a lease or licence if the expenditure you incur is:

- in the course of carrying on a business
- in connection with ceasing to carry on a business (see worksheet 4 and note 3).

In some circumstances, lease expenses may be debt deductions for the purposes of the Thin capitalisation rules.

If you include an amount of lease expense which isn't allowable as a deduction, such as amounts disallowed under the thin capitalisation rules, you'll need to add back the amount at label **H Expense reconciliation adjustments** in the **Reconciliation items** section in your schedule.

Expenses you incur under a hire purchase agreement aren't lease expenses. Such expenses are dealt with at label **H Expense reconciliation adjustments** in the **Reconciliation items** section in your schedule.

Special rules apply to leased cars if the cost of the car exceeds the car limit that applies for the financial year in which the lease commences. The car limit for 2024–25 is $69,674.

If you lease a car that is subject to the special rules, the reconciliation between the lease expense and the tax treatment is carried out at label **H Expense reconciliation adjustments** in the **Reconciliation items** section.

For more information, see Luxury car leasing.

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

Completing this item

Step 1: Write your total primary production lease expenses at **Lease expenses** in the Primary production column, **P8** in your schedule. Don't show cents.

Step 2: Write your total non-primary production lease expenses at **Lease expenses** in the Non-primary production column. Don't show cents.

Step 3: Add up your primary production and non-primary production lease expenses and write the total at label **J**.

Rent expenses

Answer the following question to complete this label.

Do you have rent as a business expense?

- **No** – Go to Interest expenses within Australia.
- **Yes** – Read on.

You need to know

This is expenditure you incur as a tenant for rental of land and buildings used for producing assessable income. Include the cost of leasing real estate.

Completing this question

Step 1: Write your total primary production rent expenses at **Rent expenses** in the **Primary production** column, **P8 Expenses** in your schedule. Don't show cents.

Step 2: Write your total non-primary production rent expenses at **Rent expenses** in the **Non-primary production** column. Don't show cents.

Step 3: Add up your primary production and non-primary production rent expenses and write the total at label **K**.

Interest expenses within Australia

Answer the following question to complete this label.

Do you incur interest as a business expense on money borrowed within Australia?

- **No** – Go to Interest expenses overseas.
- **Yes** – Read on.

You need to know

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

Don't include interest you incur in deriving rental income. Claim this at question **21** in your supplementary tax return.

If you include an amount of interest which isn't allowable as a deduction, such as amounts denied by the thin capitalisation rules or debt deduction creation rules, you'll need to add back the amount at label **H Expense reconciliation adjustments** in the **Reconciliation items** section in your schedule.

Completing this question

Step 1: Write your total primary production interest expenses within Australia at **Interest expenses within Australia** in the **Primary production** column, **P8 Expenses** in your schedule. Don't show cents.

Step 2: Write your total non-primary production interest expenses within Australia at **Interest expenses within Australia** in the Non-primary production column, **P8 Expenses** in your schedule. Don't show cents.

Step 3: Add up your primary production and non-primary production interest expenses within Australia and show the total at label **Q**.

Interest expenses overseas

Do you incur interest as a business expense on money borrowed overseas?

- **No** – Go to Depreciation expenses.
- **Yes** – Read on.

You need to know

Include any interest you incur on money borrowed from overseas sources to acquire income-producing assets you use in your business either:

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

Don't include interest you incur in deriving rental income. Claim this at question **21** in your supplementary tax return.

Generally, you're required to withhold an amount of withholding tax

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

You must send these withheld amounts to us. You can't deduct an interest expense if you're required to withhold tax on that interest and you fail to do so. If you pay or credit interest or amounts in the nature of interest to a non-resident of Australia, or to a resident's overseas branch, you need to provide additional information:

- write on a separate piece of paper
  - the title **Schedule of additional information – question 15**
  - your name, address and TFN
  - the name and address of each recipient
  - the total amounts paid or credited to
    - each non-resident
    - the overseas branch of each resident
  - the amount of tax withheld, if no tax was withheld, state the reason
- print **X** in the **Yes** box at **Taxpayer's declaration**
- attach the schedule to your tax return.

For more information on the tax treatment of interest paid to non-residents, contact us. If you include an amount of interest that isn't allowable as a deduction, such as amounts denied by the thin capitalisation rules or debt deduction creation rules, you'll need to add back the amount at label **H Expense reconciliation adjustments** in the **Reconciliation items** section in your schedule.

Completing this question

Step 1: Write your total primary production overseas interest expenses at **Interest expenses overseas** in the Primary production column, **P8 Expenses** in your schedule. Don't show cents.

Step 2: Write your total non-primary production overseas interest expenses at **Interest expenses overseas** in the Non-primary production column. Don't show cents.

Step 3: Add up your primary production and non-primary production overseas interest expenses and write the total at label **R**.

Depreciation expenses

Do you have depreciation as a business expense?

- **No** – Go to, Motor vehicle expenses.
- **Yes** – Small business entities choosing simplified depreciation rules, read the below. All other entities, go to Other businesses (excluding small businesses using simplified depreciation).

You don't include the pool deductions at **P8** – label **M**, if you're not carrying on a business this year, but in a prior year you allocated assets to a general small business pool. Show such deductions at question **D15 Other deductions** in your supplementary tax return.

Small business entities

You show at **P8** – label **M** both the total depreciation deductions:

- under the simplified depreciation rules
- for the business use of other assets under the uniform capital allowances (UCA) rules.

However, this excludes any amount included at **P1** – Part **B**.

Some depreciating assets are excluded from the simplified depreciation rules, but a deduction may be available for these assets under the UCA rules. For more information, see Assets and exclusions. Special rules also apply if the depreciating asset is a passenger vehicle.

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

5-year lock out rule

The 5-year 'lock out' rule is suspended until 30 June 2025. This rule prevented small business entities from re-entering the simplified depreciation regime if they opted out.

If you're a small business entity that has 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 2025.

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

How to calculate your depreciation deductions

If you're a small business entity using simplified depreciation, use Worksheet 2 and the calculations in Appendix 1 to work out your depreciation deductions. Your accounting system or financial statements may provide you with the amounts for depreciation.

How to complete P8 Expenses – Depreciation expenses

Step 1: Write your total primary production depreciation deductions in the primary production column at **P8** – label **Depreciation expenses**. Don't show cents.

Step 2: Write your total non-primary production depreciation deductions in the non-primary production column **P8** – label **Depreciation expenses**. Don't show cents.

Step 3: Transfer the total amount at row **e** in Worksheet 2 to **P8** – label **M** Depreciation expenses. Don't show cents.

Step 4: Go to **P10 Small business entity simplified depreciation** – you'll need to transfer amounts from Worksheet 2 – rows **a**, **b** and **c**.

Step 5: Go to Motor vehicle expenses.

Work out your depreciation and capital allowance claims by using the Depreciation and capital allowances tool.

Other businesses (excluding small businesses using simplified depreciation)

You show at **P8** – label **M Depreciation expenses** the depreciation you claim in your accounting books other than for those assets you allocate in a prior income year to a general pool. For assets you allocate to such a pool, include here the amount of the pool deduction to be claimed for tax purposes.

The depreciation amount you show at **P8** – label **M** should not include profit or loss on the sale of depreciating assets. Include profits on the sale of depreciating assets at **P8** – labels **I** or **J Other business income** in your schedule. You should include losses on the sale of depreciating assets at **P8** – label **P All other expenses**.

Accounting or book depreciation may differ from your deduction for the decline in value of depreciating assets for tax purposes.

You carry out the reconciliation between accounting depreciation and the deduction for decline in value at **P8 Reconciliation items** – label **H Expense reconciliation adjustments**.

For more information, see Guide to depreciating assets 2025.

Motor vehicle expenses

Answer the following question to complete this label.

Do you have motor vehicle expenses in your business?

- **No** – Go to Repairs and maintenance.
- **Yes** – Read on.

You need to know

Special substantiation and calculation rules for car expenses apply to you, as an individual. Under these rules, you can claim motor vehicle expenses using one of 2 methods where the expense is for a car, station wagon, panel van, utility truck or other road vehicle designed to carry a load of less than one tonne or fewer than 9 passengers. For an explanation of these methods, see question D1 in *Individual tax return instructions 2025*.

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

Don't include depreciation, finance leasing charges or interest paid. You include these at **P8 Expenses** in your schedule under:

- **M Depreciation expenses**
- **J Lease expenses**
- **Q Interest expenses within Australia**
- **R Interest expenses overseas**.

Completing this question

Step 1: Write your total primary production motor vehicle expenses at **Motor vehicle expenses** in the **Primary production** column, **P8 Expenses** in your schedule. Don't show cents.

Step 2: Write your total non-primary production motor vehicle expenses at **Motor vehicle expenses** in the **Non-primary production** column. Don't show cents.

Step 3: Add up your primary production and non-primary production motor vehicle expenses and write the total at **P8** – label **N** in your schedule.

Step 4: If you work out the amount you're claiming for motor vehicle expenses using one of the 2 methods described in question D1 in *Individual tax return instructions 2025*, find the code letter that identifies the method you use and print it in the **Type** box at the right of the amount at label **N**:

- **S** if you used the 'cents per kilometre' method
- **B** if you used the 'logbook' method.

Print the code letter **N** in the **Type** box if the amount shown at label **N** relates to any of the following:

- a motorcycle
- a taxi taken on hire
- a road vehicle designed to carry a load of one tonne or more, or 9 or more passengers
- any other motor vehicle expenses covered by question D2 in *Individual tax return instructions 2025*.

If you have more than one code, print the code that applies to the largest claim.

Repairs and maintenance

Answer the following question to complete this label.

Do you have repairs and maintenance as a business expense?

- **No** – Go to All other expenses.
- **Yes** – Read on.

You need to know

This is expenditure shown in your accounts for repairs and maintenance of premises, plant, machinery, implements, utensils, rolling stock or articles associated with the production of income. Any non-deductible expenditure, such as items of a capital nature or amounts relating to private use of an item, included at this question, should also be included at **P8 Reconciliation items** – label **H Expense reconciliation adjustments** in your schedule.

The following information on deductions for repairs will assist you to work out whether you need to make an expense reconciliation adjustment.

Repairs

You may deduct the cost of non-capital expenditure on repairs to premises and depreciating assets such as plant, machinery or equipment used solely for producing assessable income, or in carrying on a business for that purpose.

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

Example: reasonable deduction

An asset was used:

- 45% in the business
- 40% for private use
- 15% to produce exempt income.

A reasonable deduction would be 45% of the expenditure.

Where items are newly acquired, including by way of a legacy or gift, the cost of repairs to defects present at the time of acquisition is generally of a capital nature. These are called initial repairs.

Expenditure you incur in making alterations, additions or improvements is of a capital nature and isn't deductible as repairs.

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

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

Completing this question

Step 1: Write your total primary production repairs and maintenance expenses at **Repairs and maintenance** in the Primary production column, **P8 Expenses** in your schedule. Don't show cents.

Step 2: Write your total non-primary production repairs and maintenance expenses at **Repairs and maintenance** in the Non-primary production column. Don't show cents.

Step 3: Add up your primary production and non-primary production repairs and maintenance expenses and write the total at label **O**. Don't show cents.

All other expenses

Answer the following question to complete this label.

Do you have any other business expenses?

- **No** – Go to Total expenses.
- **Yes** – Read on.

You need to know

This is the total of all other expenses that you incur in deriving your profit or loss and you haven't already shown elsewhere at **P8 Expenses**. Other expenses include:

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

Include gifts and donations that are a business expense and amounts you pay professionals in managing the tax affairs of the business at **P8 Expenses**. Don't claim these amounts as gifts and donations or as cost of managing tax affairs in your individual tax return.

If you're an eligible primary producer also include deductions related to becoming the holder of, holding and disposing of eligible Australian carbon credit units (ACCUs) or income from eligible arrangements with carbon service providers, in the primary production column. For more information on eligible ACCUs and eligible arrangements with carbon service providers, see Taxation of Australian carbon credit units for primary producers.

For information on foreign exchange (forex) losses, go to ato.gov.au or see question D15 in *Individual tax return instructions supplement 2025*.

Include capital and other non-deductible items (including debt deductions denied by thin capitalisation rules or debt deduction creation rules) shown here at **P8 Reconciliation items** – label **H Expense reconciliation adjustments** in your schedule.

For more information, see:

- Income and expense reconciliation adjustments
- Thin capitalisation rules.

Home office expenses

If part of your home is specifically set aside as your place of business and used solely for the purpose of conducting your business affairs and you have no other place from where they are mainly carried on, the following expenses are partly deductible:

- occupancy expenses, including rent, mortgage interest, rates, and house and contents insurance
- running expenses, including electricity, cleaning, depreciation, leasing charges and repairs to furniture and furnishings in the office.

In most cases, you can apportion expenses on a floor area basis and, if the area of your home is a place of business for only part of the year, on a time basis.

Where you use part of your home as a home office, but it doesn't qualify as a place of business, only the additional running expenses you incur may be deductible.

For more information, see:

- Taxation Ruling TR 93/30 *Income tax: deductions for home office expenses*
- Law administration practice statements PS LA 2001/6 *Verification approaches for home office running expenses and electronic device expenses records you need to keep*
- Practical compliance guide PCG 2023/1 *Claiming a deduction for additional running expenses incurred while working from home – ATO compliance approach.*
- Home office expenses calculator.

You should keep records to show how you calculate your home office expenses. We may ask you for these later.

Completing this question

Step 1: Write your total 'other' primary production expenses at **All other expenses** in the **Primary production** column, **P8 Expenses** in your schedule. Don't show cents.

Step 2: Write your total 'other' non-primary production expenses at **All other expenses** in the **Non-primary production** column. Don't show cents.

Step 3: Add up your 'other' primary production and 'other' non-primary production expenses and write the total at **P8** – label **P** in your schedule.

Total expenses

To complete this label, follow the instructions.

Completing this question

Step 1: Add up all the expenses you have written in the Primary production column, from **Cost of sales** down to and including **All other expenses**. Write the total at **P8** – label **S** in your schedule. Don't show cents.

Step 2: If your total of primary production expenses is a negative amount, print **L** in the box at the right of the amount at label **S**.

Step 3: Add up all the expenses you have written in the Non-primary production column, from **Cost of sales** down to and including **All other expenses**. Write the total at label **T**. Don't show cents.

Step 4: If your total of non-primary production expenses is a negative amount, print **L** in the box at the right of the amount at label **T**.

Step 5: Add up your primary production and non-primary production expenses. Write the total at **TOTAL EXPENSES** in the **Totals** column.

Step 6: If your total expenses is a negative amount, print **L** in the box at the right of this amount.

Reconciliation items

Find out if you qualify for a deduction.

Reconciliation items overview

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

Any adjustments to your income and expense amounts are dealt with at Income and expense reconciliation adjustments.

Section 40-880 deduction

Answer the following question to complete this label.

Can you deduct business-related costs under section 40-880?

- **No** – Go to Business deduction for project pool.
- **Yes** – Read on.

Immediate deductibility for business-related start-up costs

Section 40-880 of the *ITAA 1997* allows for certain start-up costs to be immediately deductible where they are incurred by one of the following:

- a small business entity
- an entity that would be a small business entity if the aggregated turnover threshold was less than $50 million
- an entity that isn't carrying on a business in the income year and isn't connected with, or an affiliate of, another entity that is carrying on a business in the income year and that entity
  - isn't a small business entity, and
  - would not be a small business entity if the aggregated turnover threshold was less than $50 million.

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

Deductible business-related start-up costs

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

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

For more information, see:

- Claiming a tax deduction for depreciating assets and other capital expenses
- Taxation Ruling TR 2011/6 *Income tax: business related capital expenditure - section 40-880 of the Income Tax Assessment Act 1997 core issues.*

5-year deduction for certain capital expenditure

Section 40-880 of the *ITAA 1997* also allows you to deduct in equal proportions over a 5-year period certain capital expenditure you incur if the expenditure isn't already taken into account or not denied a deduction by another provision.

You can claim a deduction for capital expenditure you incur:

- in relation to your business
- in relation to a business that used to be carried on, such as capital expenses you incur in order to cease the business
- in relation to a business proposed to be carried on, such as the costs of feasibility studies, market research or setting up the business entity
- as a shareholder, beneficiary or partner to liquidate or deregister a company or to wind up a trust or partnership that carried on a business).

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

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

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

You can deduct 20% of the expenditure in the year you incur it and in each of the following 4 years. However, for some pre and post-business expenditure, you may have to defer your claim for a deduction where the non-commercial loss rules apply.

Example: expenditure relating to a new business activity

If you're carrying on a business during 2024–25, but your relevant capital expenditure relates to a new business activity that didn't commence before 1 July 2025, you can't claim a deduction for the expenses you incur until the business activity commences.

If you incur such expenditure in these circumstances, you should not claim the deductible amount (20%) but note it in your business or tax records and claim the amounts deferred for this question in the year the business commences. However, these claims may be subject to further deferral to the extent that they would otherwise give rise to a business loss in the current year.

For more information, see Losses.

The capital expenditure can't be deducted in equal portions over a 5-year period if it:

- can be deducted under another provision
- forms part of the cost of a depreciating asset you hold, used to hold or will hold
- forms part of the cost of land
- relates to a lease or other legal or equitable right
- would be taken into account in working out an assessable profit or deductible loss
- could be taken into account in working out a capital gain or a capital loss
- would be specifically not deductible under the income tax laws if the expenditure was not capital expenditure
- is specifically not deductible under the income tax laws for a reason other than the expenditure is capital expenditure
- is of a private or domestic nature
- is incurred in relation to gaining or producing exempt income or non-assessable non-exempt income
- is excluded from the cost or cost base of an asset because, under special rules in the UCA or capital gains tax regimes respectively, the cost or cost base of the asset was taken to be the market value
- is a return of or on capital or is a return of a non-assessable amount (for example, repayments of loan principal).

Claim the amount deductible under section 40-880 of the *ITAA 1997* here if either:

- you carry on a business as an individual at any time during 2024–25
- the amount relates to a proposed primary production or performing arts business.

If you incur relevant capital expenses that relate to a business that ceased in a previous income year and you carry on the business as a sole trader or through a partnership, claim the expenses here. If you carry on the business through a company or trust, you claim the amount deductible (20%) at question **D15** in your supplementary tax return.

You must show any recoupment of the expenditure as assessable income, either at **Other business income** or as part of your **P8 Reconciliation items** – **Income reconciliation adjustments** in your schedule.

Completing this question

Step 1: Write your deduction for primary production business-related costs at **Section 40-880 deduction** in the Primary production column, **P8 Reconciliation items** in your schedule. Don't show cents.

Step 2: Write your deduction for non-primary production business-related costs at **Section 40-880 deduction** in the Non-primary production column. Don't show cents.

Step 3: Add up your primary production and non-primary production deductions for business-related costs and write the total at label **A**.

Business deduction for project pool

Answer the following question to complete this label.

Do you have capital expenditure directly connected with a business project?

- **No** – Go to Landcare operations and deduction for decline in value of water facility, fencing asset and fodder storage asset.
- **Yes** – Read on.

You need to know

Certain capital expenditure you incur after 30 June 2001 which is directly connected with a project you carry on or propose to carry on for a taxable purpose can be allocated to a project pool and written off over the life of the project. Each project has a separate project pool. The project must be of sufficient substance and be sufficiently identified that it can be shown that the capital expenditure said to be a 'project amount' is directly connected with the project. You're carrying on a project 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.

Such capital expenditure, known as a project amount, is expenditure you incur on:

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

Project amounts also include mining capital expenditure and expenditure on certain facilities used to transport minerals or quarry materials. For more information, see Guide to depreciating assets 2025. The expenditure must not be otherwise deductible or form part of the cost of a depreciating asset. If the expenditure you incur 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.

Project amounts are allocated to a 'project pool'. Your deduction for project amounts allocated to a project pool is spread over the 'project life'. The project life is the period from the date on which the project starts to operate until the date on which it stops operating. The period must be limited by something inherent in the project. If there is no limited project life, no deduction is available under these rules. A deduction is available from the income year in which you started to operate a project to gain or produce assessable income. The deduction is worked out on the value of the project pool at the end of the income year at the rate of 150%. For pools containing only project amounts incurred on or after 10 May 2006 for projects starting on or after that day, the rate is 200%. Your deductions are capped at 150% if on or after 10 May 2006 you abandon, sell or otherwise dispose of an existing project and then restart it after that date in circumstances where would be reasonable to conclude that this was done for the main purpose of ensuring that deductions would be calculated using the higher rate. Use **worksheet 3A** or **worksheet 3B** to work out your deduction.

Worksheet 3A – Project pool deduction for projects which started on or after 10 May 2006

Row	Calculation elements	Amount
a	Value of the project pool at 30 June 2025. This is the closing pool value for 2023–24 (if any) plus the sum of the project amounts you allocated to the pool in 2024–25.	$
b	Your estimate of the life of the project (in years).	years
c	Divide the amount at row **a** by the amount at row **b**.	$
d	Multiply the amount at row **c** by 200%. This is your 2024–25 deduction for the project pool.	$

Your deduction at row **d** must not be more than the amount at row **a**.

If a project operated in 2024–25 for purposes other than earning assessable business income, you must reduce your deduction at row **d** by a reasonable amount for the extent to which the project operated for such other purposes.

Worksheet 3B – Project pool deduction for projects which started before 10 May 2006

Row	Calculation elements	Amount
a	Value of the project pool at 30 June 2025. This is the closing pool value for 2023–24 (if any) plus the sum of the project amounts you allocate to the pool in 2024–25.	$
b	Your estimate of the life of the project (in years).	years
c	Divide the amount at row **a** by the amount at row **b**.	$
d	Multiply the amount at row **c** by 150%. This is your 2024–25 deduction for the project pool.	$

Your deduction at row **d** must not be more than the amount at row **a**.

If a project operates in 2024–25 for purposes other than earning assessable business income, you must reduce your deduction at row **d** by a reasonable amount for the extent to which the project operates for such other purposes.

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

Closing pool value for 2024–25

This is row **a** minus row **d** in **worksheet 3A** and **worksheet 3B**. You'll need the closing pool value for 2024–25 to work out your deduction for the project pool next year.

Any recoupment of the expenditure must be shown as assessable income either at **Other business income** or as part of your **P8 Reconciliation items** – **Income reconciliation adjustments** in your schedule.

Where a project was abandoned, sold or otherwise disposed of in 2024–25

In this case, whether or not the project had begun to operate, you can claim a deduction for the 2023–24 closing pool value (if any) plus any project amounts allocated to the pool in the 2024–25 year. You must show any proceeds from the abandonment, sale or disposal of the project as assessable income either at **Other business income** or as part of your **P8 Reconciliation items** – **Income reconciliation adjustments** in your schedule.

Completing this question

Step 1: Write your total primary production project pool business deduction at **Business deduction for project pool** in the **Primary production** column, **P8 Reconciliation items** in your schedule. Don't show cents.

Step 2: Write your total non-primary production project pool business deduction at **Business deduction for project pool** in the Non-primary production column. Don't show cents.

Step 3: Add up your primary production and non-primary production project pool business deductions and write the total at label **L**.

Landcare operation and depreciation of water facility and other assets

Do you have any of the following expenses:

- landcare operations
- water facilities
- fencing assets
- fodder storage assets?

If you answer:

- **No** – Go to Income and expense reconciliation adjustments.
- **Yes** – Read on.

Landcare operations expenses

You can claim a deduction for capital expenditure you incur on a landcare operation for land in Australia in the year you incur it, if you're carrying on a primary production business.

If the water facilities and landcare operation rules both apply, you can only deduct the expenditure as expenditure on a water facility; see Water conservation and conveyance facilities. If the carbon sink forest and landcare operation rules both apply, you can only deduct the expenditure as expenditure on carbon sink forests.

Unless you're a rural land irrigation water provider, the deduction is available if you use the land for either:

- a primary production business
- in the case of rural land, a business for the purpose of producing assessable income from the use of that land, except for a business of mining or quarrying.

However, your deduction is reduced by a reasonable amount to reflect your use of the land other than for the purpose of carrying on the relevant business in an income year after you incur the expenditure.

You may claim the deduction even if you're only a lessee of the land.

Rural land irrigation water providers can claim a deduction for certain expenditure they incur. A rural land irrigation water provider is an entity whose business is primarily and principally supplying water to entities for use in primary production businesses on land in Australia or businesses (except mining or quarrying businesses) using rural land in Australia. The supply of water by using a motor vehicle is excluded.

If you're a rural land irrigation water provider, you can claim a deduction for capital expenditure you incur on a landcare operation for land used by other entities that you supply with water if the land is:

- located in Australia that those entities use at the time for primary production businesses, or
- rural land in Australia that those entities use at the time for carrying on businesses for a taxable purpose, except a business of mining or quarrying.

If you're a rural land irrigation water provider, your deduction is reduced by a reasonable amount for your use of the land for a non-taxable purpose in an income year after you incur the expenditure.

A landcare operation is one of the following:

- erecting fences to separate different land classes in accordance with an approved land management plan
- erecting fences primarily and principally to keep animals out of areas affected by land degradation in order to prevent or limit further damage and assist in reclaiming the areas
- constructing a levee or similar improvements
- constructing drainage works, other than the draining of swamps or low-lying land, primarily and principally to control salinity or assist in drainage control
- an operation primarily and principally for eradicating or exterminating animal pests from the land
- an operation primarily and principally for eradicating, exterminating or destroying plant growth detrimental to the land
- an operation primarily and principally for preventing or fighting land degradation other than by erecting fences, or
- an extension, alteration or addition to any of the assets described in 1 to 4 above or an extension of an operation described in 5 to 7 above.

A landcare operation also includes:

- a repair of a capital nature to an asset described in the first 4 points above
- constructing a structural improvement that is reasonably incidental to levees (or similar improvements) or drainage works deductible as capital expenditure on a landcare operation
- a repair of a capital nature, or an alteration, addition or extension to a structural improvement that is reasonably incidental to levees (or similar improvements) or drainage works deductible as capital expenditure on a landcare operation.

An example of a structural improvement that may be reasonably incidental to drainage works is a fence constructed to prevent livestock entering a drain that was constructed to control salinity.

No deduction is available if the capital expenditure is on plant unless it is on certain fences, dams or other business related structural improvements.

If the expenditure you incur arose from a non-arm's length dealing and was more than the market value of what the expenditure was for, the amount of the expenditure is taken to be that market value instead.

These deductions aren't available to a partnership. Expenses for landcare operations a partnership incurs, you allocate to each partner, who can then claim the relevant deduction for their share of the expenditure.

You may need to show any recoupment of the expenditure as assessable income either at **Other business income** at **P8 Income** in your schedule or as part of your **Income reconciliation adjustments** in the **P8 Reconciliation items**.

For more information, see Guide to depreciating assets 2025.

Water conservation and conveyance facilities

You can claim a deduction for the decline in value of a water facility. A water facility includes plant or a structural improvement, or an alteration, addition or extension to plant or a structural improvement, that is primarily or principally for the purpose of conserving or conveying water.

Water facility includes dams, tank stands, bores, wells, irrigation channels, pipes, pumps, water towers and windmills. Water facility also includes certain other expenditure you incur on or after 1 July 2004 for:

- a repair of a capital nature to plant or a structural improvement that is primarily or principally for the purpose of conserving or conveying water – for example, if you purchase a pump that needs substantial work done to it before it can be used in your business, the cost of repairing the pump may be deductible as a water facility
- a structural improvement, or an alteration, addition or extension to a structural improvement that is reasonably incidental to conserving or conveying water
- a repair of a capital nature to a structural improvement that is reasonably incidental to conserving or conveying water.

Examples of structural improvements that are reasonably incidental to conserving or conveying water include a bridge over an irrigation channel, a culvert (a length of pipe or multiple pipes that are laid under a road to allow the flow of water in a channel to pass under the road), or a fence preventing livestock entering an irrigation channel.

You can fully deduct capital expenditure on a water facility if you incur the expenditure from 7:30 pm (AEST), 12 May 2015. You fully deduct the expenditure in the year you incur it. The total deduction can't be more than the amount of the capital expenditure.

Unless you're an irrigation water provider, you must incur the expenditure primarily and principally for conserving or conveying water for use in a primary production business you conduct on land in Australia. You may claim the deduction even when you don't own the land. Therefore, if you're a lessee carrying on a business of primary production on the land, you can still claim the deduction. Your deduction is reduced where the facility isn't wholly used for either:

- carrying on a primary production business on land in Australia
- a taxable purpose, for example, producing assessable income.

An irrigation water provider is an entity whose business is primarily and principally the supply of water to entities for use in primary production businesses on land in Australia. The supply of water by using a motor vehicle is excluded.

If you're an irrigation water provider, you must incur the expenditure primarily and principally for the purpose of conserving or conveying water for use in primary production businesses conducted by other entities on land in Australia (being entities supplied with water by you). The deduction is reduced if the facility isn't used wholly for a taxable purpose.

If the expenditure you incur arose from a non-arm's length dealing and was more than the market value of what the expenditure was for, the amount of the expenditure is taken to be that market value instead.

These deductions aren't available to a partnership. Costs a partnership incurs for facilities to conserve or convey water you allocate to each partner who can then claim the relevant deduction for their share of the expenditure.

You may need to show any recoupment of the expenditure as assessable income either:

- at **Other business income** in the Income section of **P8 Income** in your schedule
- as part of your **Income reconciliation adjustments** in the **P8 Reconciliation items**.

For more information, see Guide to depreciating assets 2025.

Fencing assets

You can claim a deduction for the decline in value of a fencing asset. A fencing asset includes a structural improvement, a repair of a capital nature, or an alteration, addition or extension to a fence.

If you incur the expenditure in 2024–25, you claim the full amount in that income year. If you incur the expenditure before 13 May 2015 (or if the expenditure relates to a stockyard, pen or portable fence), the previous decline in value rules that apply to fences based on their effective life continue to apply.

You must incur the expenditure on the construction, manufacture, installation or acquisition of a fencing asset that you use primarily and principally in a primary production business you conduct on land in Australia. You may claim the deduction even when you don't own the land. Therefore, if you're a lessee carrying on a business of primary production on the land, you can still claim the deduction. Your deduction is reduced where the fencing asset isn't wholly used for either:

- carrying on a primary production business on land in Australia
- a taxable purpose, for example, producing assessable income.

If the expenditure you incur arose from a non-arm's length dealing and was more than the market value of what the expenditure was for, the amount of the expenditure is taken to be that market value instead.

These deductions aren't available to a partnership. Costs a partnership incurs on fencing assets you allocate to each partner who can then claim the relevant deduction for their share of the expenditure.

You may need to show any recoupment of the expenditure as assessable income either at:

- **Other business income** in **P8 Income**
- as part of your **Income reconciliation adjustments** in the **Reconciliation items** section of **P8**.

For more information, see Guide to depreciating assets 2025.

Fodder storage assets

You can claim a deduction for the decline in value of a fodder storage asset. A fodder storage asset is an asset that is primarily and principally for the purpose of storing fodder. It includes a structural improvement, a repair of a capital nature, or an alteration, addition or extension, to an asset or structural improvement, that is primarily and principally for the purpose of storing fodder.

Fodder refers to food for livestock, usually but not exclusively dried, such as grain, hay or silage. Fodder can include liquid feed and supplements. Examples of typical fodder storage assets include:

- silos
- liquid feed supplement storage tanks
- bins for storing dried grain
- hay sheds
- grain storage sheds
- above-ground bunkers.

If you incur the expenditure from19 August 2018, you deduct the full amount in the income year in which you incur it.

If you incur the expenditure between 7:30 pm (AEST), 12 May 2015 and 18 August 2018 you deduct one-third of the amount in the income year in which you incurred it, and one-third in each of the following 2 years, except if you first use the asset or install it ready for use on or

after 19 August 2018. In that case, you deduct the full amount in the income year in which you incurred it (this may require an amendment to a prior year tax return).

If you incur the expenditure before 7:30 pm AEST, 12 May 2015, the previous decline in value rules that apply to fodder storage assets based on their effective life continue to apply.

You must incur the expenditure on the construction, manufacture, installation or acquisition of a fodder storage asset that you use primarily and principally in a primary production business you conduct on land in Australia. You may claim the deduction even when you don't own the land. Therefore, if you're a lessee carrying on a business of primary production on the land, you can still claim the deduction. Reduce your deduction where the fodder storage asset isn't wholly used for either:

- carrying on a primary production business on land in Australia
- a taxable purpose, for example, for producing assessable income.

If the expenditure you incur arose from a non-arm's length dealing and was more than the market value of what the expenditure was for, the amount of the expenditure is taken to be that market value instead.

These deductions aren't available to a partnership. Costs a partnership incurs on fodder storage assets you allocate to each partner who can then claim the relevant deduction for their share of the expenditure.

You may need to show any recoupment of the expenditure as assessable income either at:

- **Other business income** in **P8 Income**
- as part of your **Income reconciliation adjustments** in the **Reconciliation items** section of **P8**.

For more information, see Guide to depreciating assets 2025.

Small business entities

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

Completing this question

Step 1: Write your total deductions for primary production landcare operations expenses, water facilities, fencing assets and fodder storage assets at **Landcare operations and deduction for decline in value of water facility, fencing asset and fodder storage asset** in the Primary production column, **P8 Reconciliation items**. Don't show cents.

Step 2: Write your total deduction for non-primary production landcare operations expenses and water facilities at **Landcare operations and deduction for decline in value of water facility, fencing asset and fodder storage asset** in the Non-primary production column. Don't show cents.

Step 3: Add up your primary production and non-primary production deductions for landcare operations, water facilities, fencing assets and fodder storage assets and write the total at label **W**.

Income and expense reconciliation adjustments

Answer the following question to complete this label.

Do you need to make any income or expense reconciliation adjustments?

- **No** – Go to Net income or loss from business this year.
- **Yes** – Read on.

You need to know

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

In some cases you'll need to complete income reconciliation adjustments or expense reconciliation adjustments even if all the amounts you have written at **P8 Income** – label **C Gross payments where Australian business number not quoted** to **P8 Reconciliation items** label **W Landcare operations and deduction for decline in value of water facility, fencing asset and fodder storage asset** are assessable income or allowable tax deductions for income tax purposes.

You must work out your reconciliation adjustments if you:

- include amounts such as exempt income or non-deductible expenses
- don't included amounts which are assessable income or expenditure that is deductible.

Worksheet 4 will assist you with your calculations.

What are income reconciliation adjustments?

Income reconciliation adjustments include:

- income add backs; this is income not shown in the accounts which is assessable income for tax purposes, such as
  - assessable balancing adjustment amounts on disposal of depreciating assets
  - other assessable income not included in the profit and loss statement
- income subtractions; this is income shown in the accounts which isn't assessable income, such as
  - profit on sale of depreciating assets
  - other income that isn't assessable for income tax purposes, for example, gross exempt income and non-assessable non-exempt income
  - cash flow boost payments if they are included in other business income.

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

Use worksheet 4 to work out your income reconciliation adjustments for your primary and non-primary production businesses. The amount you enter at **P8 Reconciliation items** – label **X Income reconciliation adjustments** is the total of your primary production and non-primary production income adjustments.

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

What are expense reconciliation adjustments?

Expense reconciliation adjustments include the following.

- Expense add backs are expenses shown in the accounts which aren't tax deductible, such as:
  - prepaid expenses not deductible in 2024–25
  - depreciation
  - loss on sale of a depreciating asset
  - other items not allowable as a deduction, for example
    - excluded capital expenditure
    - additions to provisions and reserves
    - income tax expense
    - expenses relating to exempt income
    - debt deductions denied by the thin capitalisation rules
    - debt deductions denied by the debt deduction creation rules
    - other non-deductible expenses.
- Expense subtractions are items not shown as expenses in the accounts but which are deductible for tax purposes, such as
  - prepaid expenses from a prior year that are deductible in 2024–25 but not included elsewhere
  - deduction for decline in value of depreciating assets
  - deductible balancing adjustment amounts on disposal of depreciating assets
  - deduction for environmental protection expenses
  - other items deductible for tax purposes.

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

Use worksheet 4 to work out your expense reconciliation adjustments for your primary and non-primary production businesses. The amount you show at **P8 Reconciliation items** – label **H Expense reconciliation adjustments** is the total of your primary production and non-primary production expense adjustments.

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

For more information, see Thin capitalisation

Specific reconciliation adjustments

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

If you were previously in the STS read Former STS taxpayers below first.

Former STS taxpayers

Make adjustments in this section of **P8 Reconciliation items** if:

- you're eligible and have chosen to continue using the STS accounting method and the amounts you have shown at **P8 Business income and expenses** aren't based on the STS accounting method, or
- you stopped using the STS accounting method in 2024–25.

For more information on these adjustments. see Adjustments when ceasing to use the STS accounting method.

Worksheet 4 will assist you with your calculations.

Income derived but not received and expenses incurred but not paid

If you're eligible and chose to continue using the STS accounting method and include at **P8 Income** amounts of ordinary income that are derived but not received in 2024–25, the amounts not received aren't assessable this year, for example, amounts outstanding from trade debtors at 30 June 2025.

These amounts form part of your income reconciliation adjustments at **P8 Reconciliation items** – label **X**. Include these amounts at row **f** on worksheet 4.

If you're eligible and chose to continue using the STS accounting method and include at **P8 Reconciliation items** amounts for general deductions, repairs and tax-related expenses that are incurred but not paid in 2024–25, these amounts aren't deductible this year, for example, amounts owed to trade creditors at 30 June 2025.

These amounts form part of your expense reconciliation adjustments at **P8 Reconciliation items** – label **H**. Include these amounts at row **n** on worksheet 4.

Adjustments when ceasing to use the STS accounting method

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

If you have not included at **P8 Income** amounts of ordinary income that are derived but not received while using the STS accounting method, these amounts are assessable in 2024–25 – for example, outstanding amounts from trade debtors at 30 June 2024.

Include these amounts at row **b** on worksheet 4.

If you have not included at **P8 Expenses** amounts of general deductions, repairs or tax-related expenses that are incurred but not paid while using the STS accounting method, these amounts are deductible in 2024–25 – for example, amounts owed to trade creditors at 30 June 2024.

Include these amounts (other than tax-related expenses) at row **t** on worksheet 4. Include your deduction for tax-related expenses at question **D10** in your tax return.

Disposal of depreciating assets

If you dispose of depreciating assets during 2024–25, the following amounts form part of your **P8 Reconciliation items** – **Income reconciliation adjustments** – label **X**:

- the taxable purpose proportion of the termination value of assets that are disposed of for which an immediate deduction is claimed either in 2024–25 or in a prior income year
- if the closing pool balance of a general small business pool is less than zero, the amount below zero
- assessable balancing adjustment amounts on the disposal of depreciating assets not allocated to a general small business pool.

Include the amounts at row **b** on worksheet 4.

Deductible balancing adjustment amounts on the disposal of depreciating assets that you have not allocated to a small business pool form part of your **Expense reconciliation adjustments** at **P8** – label **H**. Include these amounts at row **q** on worksheet 4.

For more information, see:

- Guide to depreciating assets 2025
- Depreciation and capital allowances tool.

Prepaid expenses

Special rules may affect the timing of deductions for prepaid expenditure. Under these rules you may need to apportion certain prepaid expenses over more than one income year. You must make an expense reconciliation adjustment to add back that part of the expense that isn't deductible in the income year you incur it. Write the adjustment at row **k** on worksheet 4.

If you had a prepaid expense in a prior year which is to be apportioned over the service period and you're entitled to a deduction for part of the expense in 2024–25 but have not included it elsewhere, show the adjustment as an expense subtraction at row **s** on worksheet 4.

For more information, see Deductions for prepaid expenses 2025.

Deduction for decline in value

You only add back amounts of depreciation expenses if you're not a small business entity using the simplified depreciation rules. If you're a small business entity using the simplified depreciation rules your tax deduction for decline in value is instead included in the amount at label **M**.

A deduction for a decline in value of a depreciating asset calculated under income tax law may differ from the accounting or book calculation of depreciation. Different rules regarding such things as effective life, the calculation of balancing adjustment amounts and the treatment of debt forgiveness amounts can produce a discrepancy between the 2 calculations.

You can deduct the decline in value of a depreciating asset in 2024–25 if you hold the depreciating asset during the year and use it (or installed it ready for use) for a taxable purpose.

The deduction is reduced to the extent you don't use the asset for a taxable purpose.

To help you calculate your deduction for decline in value, see the Depreciation and capital allowances tool or Guide to depreciating assets 2025, which also provides explanations of relevant terms. The publication also explains the option to allocate to a low-value pool depreciating assets that cost less than $1,000 (excluding input tax credit entitlements) and depreciating assets that have an opening adjustable value of less than $1,000.

Special balancing adjustments

A special balancing adjustment event will occur in an income year after the year in which temporary full expensing has been claimed when either:

- It's no longer reasonable to conclude that you'll use the depreciating asset principally in Australia for the principal purpose of carrying on a business
- it becomes reasonable to conclude that the depreciating asset will never be located in Australia.

Note that temporary full expensing ceased on 30 June 2023.

This special balancing adjustment event isn't triggered if you use 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 you have claimed temporary full expensing with respect to that asset.

If this special balancing adjustment event is triggered, both of the following rules apply:

- you're treated as though you have 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
- the first element of cost is modified to reflect the asset's termination value at the time of the event, and if this occurs:
  - you may not be able to work out the decline in value for that asset using temporary full expensing, and
  - you may be entitled to claim other capital allowances that you're entitled to for that asset in a later income year (for example, under the general capital allowances rules for the proportion of business use).

You may not claim a deduction for the asset under the general capital allowance rules in the same income year as the special balancing adjustment event.

Luxury car leasing

A leased car, either new or second-hand, is a luxury car if its cost exceeds the car limit that applies for the income year in which the lease commences. The car limit for 2024–25 is $69,674.

A luxury car lease (other than genuine short-term hire arrangements) is treated as a notional sale-and-loan transaction.

The cost or value of the car specified in the lease (or the market value if the parties were not dealing at arm's length in connection with the lease) is taken to be the cost of the car for the lessee and the amount loaned by the lessor to the lessee to buy the car.

In relation to the notional loan, the actual lease payments are divided into notional principal and finance charge components. That part of the finance charge component for the notional loan applicable for the particular period (the accrual amount) is deductible to the lessee, subject to any reduction required under the Thin capitalisation rules.

The amount forms part of your expense reconciliation adjustments at **P8** – label **H** in your schedule. Include the amount at row **p** on worksheet 4.

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

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

For more information on deductions for the decline in value of leased luxury cars, see Guide to depreciating assets 2025.

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

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

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

Where you allocated the car to the general small business pool up to the value of the applicable car limit, see Depreciation expenses.

If you've included the lease expense at **P8** – label **J Lease expenses** in the **Expenses** section in your schedule, the amount should also form part of your expense reconciliation adjustments at **P8** – label **H**. Include the amount at row **i** on worksheet 4. Include the deduction for the accrual amount at row **p**.

If the lease terminates or isn't extended or renewed and the lessee doesn't 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 isn't subject to the simplified depreciation rules, any assessable or deductible balancing adjustment amount for the lessee must be determined. If the car has been allocated to the lessee's general small business pool, see step 4 for small business entities.

Hire-purchase agreements

Hire-purchase and instalment sale agreements of goods are treated as a sale of the property by the financier (or hire-purchase company) to the hirer (or instalment purchaser).

The sale is treated as being financed by a loan from the financier to the hirer at a sale price of either their agreed cost or value or the property's arm's length value.

The periodic hire-purchase (or instalment) payments are treated as payments of principal and interest under the notional loan. The interest component is deductible to the hirer, subject to any reduction required under the Thin capitalisation rules. This amount forms part of the expense reconciliation adjustments at **P8** – label **H**. Include the amount at row **t** in worksheet 4.

In relation to the notional sale, the hirer of a depreciating asset is treated as the holder of the asset. They allocate the asset to the appropriate small business pool if they are a small business entity using the simplified depreciation rules for the income year. Otherwise, they may be entitled to claim a deduction for the decline in value of the depreciating asset under the general capital allowances rules. 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 isn't at arm's length.

If you have included hire-purchase charges as an expense at **P8 Expenses**, the amount should also form part of your expense reconciliation adjustments at **P8 Reconciliation items** – label **H**. Include the amount at row **n** on worksheet 4.

Termination of a limited recourse debt

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

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

A limited recourse debt is a debt where the rights of the creditor as against the debtor, in the event of default in payment of the debt or of interest, are limited wholly or predominantly to the property which either:

- has been financed by the debt
- is security for the debt or rights in relation to such property.

A debt is also a limited recourse debt if, notwithstanding that there may be no specific conditions to that effect, it is reasonable to conclude that the creditor's rights as against the debtors are capable of being limited.

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

The amount that is included within assessable income as a result of these provisions forms part of your income reconciliation adjustments at **P8 reconciliation items** – label **X**. Include the amount at row **b** in worksheet 4.

Worksheet 4: Reconciliation statement

Part 1a: Income reconciliation adjustments – Additions

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

Part 1b: Income reconciliation adjustments – Subtractions

Row	Calculation elements	Primary production	Non-primary production
d	Net exempt income (gross exempt income less expenses relating to that exempt income).	$	$
e	Profit on sale of depreciating assets included in accounts.	$	$
f	Other non-assessable income included in the profit and loss statement.	$	$
g	Subtotal: add the amounts at rows **d**, **e** and **f**.	$	$
	Income reconciliation adjustments: subtract the amount at row **g** from the amount at row **c**.	$	$

Part 2a: Expense reconciliation adjustments – Additions

Row	Calculation elements	Primary production	Non-primary production
h	Depreciation charged in accounts (see note 1).	$	$
i	Lease payments for luxury cars.	$	$
j	Loss on sale of depreciating assets included in accounts.	$	$
k	Part of prepaid expenses not deductible this year.	$	$

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

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

Part 2c: Expense reconciliation adjustments – Subtractions

Row	Calculation elements	Primary production	Non-primary production
p	Accrual amount deduction for lessee of luxury cars.	$	$
q	Deductible balancing adjustment amounts on disposal of depreciating assets.	$	$
r	Deduction for decline in value of depreciating assets.	$	$
s	Part of prepaid expenses deductible in 2023–24 and not included elsewhere.	$	$
		$	$
t	Other items deductible for tax purposes not included in the profit and loss statement (see note 4).	$	$
u	Subtotal: add the amounts at rows **p**, **q**, **r**, **s**, and **t**.	$	$
	Total expense reconciliation adjustment: take the amount at row **u** away from the amount at row **o**.	$	$

Notes for parts 1a to 2c

1. Include amounts at row **h** only if you're not using the simplified depreciation rules. However, exclude any pool deductions which you include at **P8 Expenses** – label **M** that relate to a continuing small business pool.
2. For an explanation of depreciating assets, see Guide to depreciating assets 2025.
3. If you include an amount of capital expenditure incurred to terminate a lease or licence at **P8 Expenses** – label **J Lease expenses**, make a reconciliation adjustment at label **H Expense reconciliation adjustments** by including the amount of capital expenditure as an expense add-back and taking away that part of the expense which is allowed as a tax deduction.
4. Don't include in the amount at row **t**:
   - Section 40-880 deductions
   - business deductions for project pools
   - deductions for landcare operations, water facilities, fencing assets and fodder storage assets.
5. The final amount at **Total** is your Expense reconciliation adjustment.

Completing this question

Step 1: Complete worksheet 4 this will give you your total income and expense reconciliation amounts (primary and non-primary production) that you need for your BPI schedule.

Step 2: Transfer the totals in the **Income reconciliation adjustments** (below row **g**) and the **Expense reconciliation adjustments** (below row **u**) on the worksheet to the appropriate boxes on your schedule. Don't show cents.

Step 3: If a reconciliation adjustment amount is negative, print **L** in the box at the right of the amount.

Step 4: Add up your primary production and non-primary production income reconciliation adjustments and write the total at label **X**.

Step 5: Add up your primary production and non-primary production expense reconciliation adjustments and write the total at label **H**.

Step 6: If the total income reconciliation adjustment amount is negative, print **L** in the box at the right of the amount at label **X**. If the total expense reconciliation adjustment amount is negative, print **L** in the box at the right of label **H**.

Worksheet 5: Working out your net income or loss from primary production business

Working out your net income or loss from primary production business for 2024–25

Row	Calculation elements	Amount
a	Your primary production total business income you show in the Primary production column at **TOTAL BUSINESS INCOME – P8 Income**.	$
b	Your primary production total business expenses you show at **P8 Expenses** – label **S**.	$
c	Total of the amounts of deductions for section 40-880 expenditure, project pool and landcare operations, water facilities, fencing assets and fodder storage assets.	$
d	Add the amount at row **b** to the amount at row **c**.	$
e	Subtract the amount at row **d** from the amount at row **a**.	$
f	Your primary production income reconciliation adjustment (if any).	$
g	Your primary production expense reconciliation adjustment (if any).	$
h	**Your net income or loss from your primary production business**: add the amounts at rows **e**, **f** and **g**.	$

If the amount at row **d** is more than the amount at row **a**, the amount at row **e** is a loss. If it is, or if you have a negative amount at rows **f** or **g**, the examples below will help you to work out your loss from primary production business.

Worksheet 6: Working out your net income or loss from non-primary production business

Working out your net income or loss from non-primary production business for 2024–25

Row	Calculation elements	Amount
i	Your non-primary production total business income you show in the Non-primary production column at **TOTAL BUSINESS INCOME** – **P8 Income**.	$
j	Your non-primary production total business expenses you show at **P8 Expenses** – label **T**.	$
k	Total of the amounts of deductions for non-primary production section 40 - 880 expenditure, project pool and landcare operations.	$
l	Add the amount at row **j** to the amount at row **k**.	$
m	Subtract the amount at row **l** from the amount at row **i**.	$
n	Your non-primary production income reconciliation adjustment (if any).	$
o	Your non-primary production expense reconciliation adjustment (if any).	$
p	**Your net income or loss from your non-primary production business**: add the amounts at rows **m**, **n** and **o**.	$

If the amount at row **l** is more than the amount at row **i**, the amount at row **m** is a loss. If it is, or if you have a negative amount at rows **n** or **o**, the examples below will help you to work out your loss from non-primary production business.

Examples: loss from non-primary production business

If the amount at row **e** is a $5,000 loss, the amount at row **f** is $12,000 income and the amount at row **g** is a $1,000 loss, the net income from the primary production business at row **h** is $6,000.

If the amount at row **e** is $5,000 profit, the amount at row **f** is $2,000 income and the amount at row **g** is an $8,000 loss, the loss from the primary production business at row **h** is $1,000.

If the amount at row **m** is a $5,000 loss, the amount at row **n** is a $4,000 loss and the amount at row **o** is a $1,000 loss, the loss from the non-primary production business at row **p** is $10,000.

Net income or loss from business for 2024–25

Use Worksheet 5 and Worksheet 6 to work out your net income or loss from your primary and non-primary production businesses for 2024–25. Don't include any non-commercial business loss deferred from a prior year.

Completing this question

Step 1: Transfer the amount at row **h** on Worksheet 5 to **P8 Income** – label **B**. Don't show cents. If the amount is a loss, print **L** in the box at the right of this amount.

Step 2: Transfer the amount at row **p** on Worksheet 6 to **P8 Income** – label **C**. Don't show cents. If the amount is a loss, print **L** in the box at the right of this amount.

Step 3: Add labels **B** and **C** and show the total in the adjacent **Totals** column. Don't include any non-commercial business losses deferred from a prior year (which are shown at label **D** or **E**, see Deferred non-commercial business losses from a prior year).

If you made a loss from your business, print **L** in the box at the right of this amount.

If the amount at label **B** or **C** includes details from more than one business activity, and any one of these activities resulted in a net loss, you need to complete **P3 Number of business activities** and **P9 Business loss activity details** in your schedule.

Deferred non-commercial business losses from a prior year

A deferred non-commercial business loss is a loss you incur in a prior year which you were unable to claim against other income. If your activity was carried out partly in Australia and partly overseas, contact us or see How to defer your losses.

Do you have any deferred non-commercial business losses from a prior year?

- **No** – Go to Net income or loss from business this year.
- **Yes** – Read on.

You need to know

Your prior year deferred non-commercial business loss for a business activity may be reduced if you earned net exempt income in 2024–25.

If you became bankrupt (or received a relief from debt), the deferred losses will no longer be available. The loss can't be deducted in 2024–25 or a future year.

For more information, see How to offset your losses

Completing this question

Step 1: At **P8 Income** – label **D** in your schedule write the amount of primary production losses you deferred in a prior year from activities that are the same or similar to your 2024–25 activity. Don't show cents.

Step 2: At label **E** write the amount of non-primary production losses you deferred in a prior year from activities that are the same or similar to your 2024–25 activity. Don't show cents.

Step 3: Add up your primary and non-primary production deferred non-commercial business losses. Write the total at **Deferred non-commercial business losses from a prior year** in the **Totals** column.

Net income or loss from business

This amount takes into account non-commercial losses deferred from a prior year.

Completing this question

Step 1: If you have **net income** from primary production business in 2024–25 at label **B**, subtract from it the amount of your deferred non-commercial primary production business losses from a prior year shown at label **D**, and:

- write the answer at **P8** – label **Y Net income or loss from business**
- if the amount at label **Y** is negative, print **L** in the box at the right of the amount.

If you have a loss from primary production business in 2024–25 at label **B**, add it to the amount of your deferred non-commercial primary production business losses from a prior year shown at label **D**, and:

- show the total at **P8** – label **Y Net income or loss from business**
- print **L** in the box at the right of the amount.

If you have printed **L** in the box at the right of the amount at label **Y**, you also need to complete **P3 Number of business activities** and **P9 Business loss activity details**.

Step 2: If you have **net income** from non-primary production business in 2024–25 at label **C**, subtract from it the amount of your deferred non-commercial non-primary production business losses from a prior year shown at label **E**, and:

- write the answer at **P8** – label **Z Net income or loss from business**
- if the amount at label **Z** is negative, print **L** in the box at the right of the amount.

If you have a loss from non-primary production business in 2024–25 at label **C**, add it to the amount of your deferred non-commercial non-primary production business losses from a prior year shown at label **E**, and:

- write the total at **P8** – label **Z Net income or loss from business**
- print **L** in the box at the right of the amount.

If you have printed **L** in the box at the right of the amount at label **Z**, you also need to complete **P3 Number of business activities** and **P9 Business loss activity details**.

Step 3: Add up the amounts at label **Y** and **Z**.

Write the answer at **Net income or loss from business** in the **Totals column**.

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

Step 4: Transfer the amounts at **Y** and **Z** to **B** and **C** (respectively) question **15** in your supplementary tax return.

Small business income tax offset

Answer the following question to complete this label.

Are you a small business entity with a turnover less than $5 million?

- **No** – Go to P9 Business loss activity details.
- **Yes** – Read on.

You need to know

You need to work out your net small business income so we can calculate your small business income tax offset. The maximum offset is $1,000 per year per person from all your sources of small business income.

Your net small business income is your assessable income from carrying on your business less your deductions to the extent that they are attributable to that assessable income.

If you carry on multiple businesses, combine the profit or loss from each business activity to work out your net small business income from all your businesses. If one or more of your business activities made a loss, you must first apply the non-commercial loss rules to work out how each loss is to be treated. Any loss you're unable to claim because of these rules isn't taken into account in working out net small business income.

For more information, see P9 Business loss activity details.

Use your **Y** and **Z** amounts as your starting point for working out your net small business income. Prior year deferred non-commercial losses being claimed as a deduction in 2024–25 are already included in the amounts shown at labels **Y** and **Z**. You don't include them again in your net small business income calculation.

Don't include any:

- net capital gains you made from assets used in carrying on your business
- personal services income unless you were a personal services business
- of the following deductions
  - tax-related expenses
  - gifts or contributions
  - personal super contributions
  - tax losses from prior years.

Completing this question

Step 1: Do you have either of the following:

- business income or deductions shown at questions other than **P8 Net income or loss from business** – labels **Y** or **Z** (see Worksheet 7 for a list of these question)
- business losses that aren't deductible under the non-commercial loss rules – see P9 Business loss activity details.

To work out your net small business income, use the worksheet or our Small business income tax offset calculator.

If you answer:

- **No** – The amounts at **P8** – labels **Y** and **Z** are your net small business income. Add labels **Y** and **Z** together, a negative amount will offset a positive amount. Write the total at question **15** – label **A** in your supplementary tax return. You're finished with this question. Go to **P9 Business loss activity details**.
- **Yes** – Go to step 2.

Step 2: Use the worksheet below to adjust your **P8** – label **Y** and **Z** amounts. Write these amounts at rows **a** and **b** in the worksheet.

Step 3: If any business losses aren't allowable deductions for non-commercial loss purposes write them at row **h**. If the loss includes a net capital gain, deduct the amount of net capital gain from the loss and write the result at row **h**.

Step 4: Add up all the amounts at rows **a** to **h** and subtract the amount at rows **i** and **j**. Write the result at row **k**. If the result is positive this is your net small business income. Write this amount at question **15** – label **A** in your supplementary tax return. If the result is a loss, show zero. Don't show cents.

Worksheet 7

Worksheet 7a – Question 15 Net income or loss from business

Row	Calculation elements	Amount
a	**B primary production** If this amount is negative, show it in brackets, for example (5,000).	$
b	**C non-primary production** If this amount is negative, show it in brackets, for example (5,000).	$

Worksheet 7b – Additions

Row	Calculation elements	Amount
c	FMD withdrawals at question **17** relating to the business.	$
d	Foreign source business income from question **19** or **20**.	$
e	Business interest income (don't include interest on an FMD as it isn't business interest income).	$
f	Business dividend income.	$
g	Other business income not already shown at this question.	$
h	Business losses which aren't allowable deductions (excluding any net capital gains).	$

Worksheet 7c – Deductions

Row	Calculation elements	Amount
i	FMD deductible deposits at question **17** relating to the business.	$
j	Other business deductions not already claimed at this question.	$

Worksheet 7d – Net small business income (including foreign income)

Row	Calculation elements	Amount
k	Add up all the amounts at rows **a** to **h** in Worksheets 7a and Worksheet 7b. Then subtract the amounts at row **i** and **j** in Worksheet 7c. Write the result at row **k**.	$

Business loss activity details – P9

Instructions to complete P9 Business loss activity details.

Loss activities

Do you have either:

- a loss from a business activity you carried on either as a sole trader or in partnership (including a loss after deducting your partner expenses)
- a loss at
  - question **13** Partnerships and trusts – label **N** or **O**
  - question **14** Personal services income – label **A**
  - question **15** Net income or loss from business – label **B** or **C**
- a foreign business loss at question **20 Other net foreign source income** – label **M**?

If you answer:

- **No** – If you're a small business entity using the simplified depreciation rules, go to P10 Small business entity simplified depreciation.
- **Yes** – Read on.

You must complete Activity 1. If you have more than one loss, then each loss must be considered separately.

Before you complete question **16** in your supplementary tax return, include foreign business losses shown in question **20** – label **M** here. If you carry on an activity that is partly in Australia and partly overseas, you must consider if you have an overall loss from the activity before completing this item. Combine the results of the activity that is carried on partly in Australia and overseas to determine if you have an overall loss for the activity.

While this item is about business losses, you may have to report an investment loss or a business profit if you answer **Yes**.

For more information, see:

- Non-commercial losses
- Taxation Ruling TR 2001/14 *Income tax: Division 35 – non-commercial business losses.*

What you need

If you're a partner in a partnership, you'll need the following details for each business activity that you, as a partner, are involved in:

- the amount of assessable income earned by the partnership for the activity
- the share of the partnership's assessable income, real property and certain other assets, attributable to partners who aren't individuals
- your share of income or loss of the partnership from the activity.

Investment losses

If you have a partnership non-primary production loss from a passive investment at question **13** – label **O** – for example, from a rental property – then you're not required to report that loss. If, however, that is your only loss, you need to complete Activity 1 at **P9 Business loss activity details** and show:

- the description of the activity at label **D** as 'Investment'
- the industry code '67110' at label **E**
- **P** for partnership at label **F**
- **0** for type of loss at label **G**
- **0** for net loss at label **I**.

If you have completed Activity 1 as directed above and are a small business using the simplified depreciation rules, go to P10 Small business entity simplified depreciation.

If you haven't completed Activity 1 as directed above, read on.

Work out whether you have a loss for the business activity

Complete Worksheet 1 for each business activity to determine whether you have an overall loss for that activity when **both** of the following apply:

- you have a loss from a business activity at any of
  - question **13** – label **N** or **O**
  - question **14** – label **A**
  - question **15** – label **B** or **C**
  - question **20** – label **M**
- you have any of the following from the same business activity
  - gross interest at question **10** – label **L** (interest on a farm management deposit (FMD) isn't business income)
  - dividends at question **11** – labels **S**, **T** or **U**
  - farm management repayments at question **17** – labels **N** or **R**
  - net capital gain at question **18** – label **A**
  - net foreign source income or loss at question **20** – label **M**
  - partner deductions attributable to that business activity at question **13** – labels **I**, **J**, **X** or **Y**.

Complete Worksheet 1

- Add up the income from the activity shown at questions **10**, **11**, **17**, **18** and **20** and write the result at row **a**.
- Write at row **b** the loss from this activity reported at questions **13**, **14** or **15**.
- If the activity is carried on in partnership, write at row **c** any partner deductions that relate to this activity which you showed at question **13** – label **I**, **J**, **X** or **Y**.
- Write at row **d** any net foreign loss from this activity you showed at question **20** – label **M**.
- Add up rows **b**, **c** and **d** and write the result at row **e**.
- Subtract the amount at row **e** from row **a** and write the result at row **f**.
- If the result at row **f** is negative this activity has an overall loss, see You need to know.
- If the result at row **f** is zero or positive this activity doesn't have a loss, see Profitable activities.

To help you work out whether you have a loss for the business activity, you can use this worksheet. If you use it, keep the completed worksheet with your other records.

Worksheet 1 – Work out business loss activity

Row	Calculation element	Amount
a	Income from the activity shown at other questions: • gross interest question **10** – label **L** • dividends question **11** – label **S**, **T**, **U** • farm management repayments question **17** – label **N**, **R** • net capital gain question **18** – label **A** • other net foreign source income question **20** – label **M**.	$
b	Loss from the activity shown at: • distribution from partnerships question **13** – labels **N**, **O** • net personal services income question **14** – label **A** • net income or loss from business question **15** – labels **C**, **B** Show the loss here as a positive amount.	$
c	Partner deductions attributable to the activity shown at question **13** – labels **I**, **J**, **X**, **Y**.	$
d	Loss from the activity at question **20** – label **M** Show the loss here as a positive amount.	$
e	Add rows **b**, **c** and **d**.	$
f	Subtract row **e** from **a**. The result at row **f** is your business activity's overall profit or loss.	$

Profitable activities

If the amount at row **f** in **Worksheet 1** is zero or positive and you either:

- have more than one business activity net loss to report at **P9**, then you need to report all of them (there is space for the 3 largest losses on the paper return)
- don't have a net loss from another business activity then you need to complete **Activity 1** as follows in respect of one profitable business activity.

Write:

- the description of activity at label **D**
- the industry code at label **E**
- **P** for partnership or **S** for sole trader at label **F**
- **5** for type of loss at label **G**
- **AN** as reference for code **5** at label **C**
- **200926** for number at label **A**
- **0** for net loss at label **I**.

If you have completed **Activity 1** as directed above and are a small business using the simplified depreciation rules, go to P10 Small business entity simplified depreciation.

If you have not completed **Activity 1** as directed above, note the activity loss amount at row **f** in **Worksheet 1** and read on.

Non-commercial losses

Under the rules for non-commercial business losses(NCL), you can use a 2024–25 loss from a business activity you conduct either as a sole trader or in partnership to calculate your 2024–25 taxable income if it meets one of these conditions:

- an exception applies
- you meet the income requirement **and** one of the 4 tests is satisfied
- you meet the income requirement and don't satisfy any of the 4 tests, but the Commissioner of Taxation has exercised his discretion or ruled that it will be exercised, to allow you to claim the loss without deferral
- you don't meet the income requirement and don't satisfy any of the 4 tests, but the Commissioner has exercised his discretion, or ruled that it will be exercised, to allow you to claim the loss without deferral.

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

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

Safe harbour

If you have made a non-commercial loss from a business activity because your business was affected by bushfire, flood or a government-imposed lockdown, business closure or restrictions due to COVID-19, you can consider using the safe harbour.

You qualify for the safe harbour if you satisfy all of the criteria of the Practical Compliance Guideline PCG 2022/1 *Non-commercial business losses – Commissioner's discretion regarding flood, bushfire or COVID-19* as a sole trader, or as a partner in a partnership.

If the safe harbour applies, you can offset the loss (but not a past year's deferred loss) against other income in the relevant income year. You also won't need to seek a private ruling on whether the Commissioner would exercise his discretion to allow that loss to be offset.

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

Exceptions

If you operated or proposed to operate a **primary production** business or a **professional arts** business and your unrelated assessable income for 2024–25 (except any net capital gain) from other sources is less than $40,000, you may claim your business loss for 2024–25.

A professional arts business is a business you carry on as an author of a literary, dramatic, musical or artistic work, as a performing artist, or as a production associate.

GST excluded

Your assessable income excludes any goods and services tax (GST) on a taxable supply you make. You must be registered or required to be registered for GST to make a taxable supply.

Meeting one of the 4 tests

You'll not have to defer your loss from your business activity if you meet the income requirement and the activity satisfies at least one of the following 4 tests:

- You earn at least $20,000 of assessable income from the business activity for 2024–25.
- Your business activity produces a profit for tax purposes in 3 out of the past 5 years, including 2024–25.
- The value of real property assets (excluding any private dwelling) used on a continuing basis in carrying on the business activity is worth at least $500,000.
- The value of certain other assets (except cars, motorcycles and similar vehicles) used on a continuing basis in carrying on your business activity is at least $100,000.

For more information, see Taxation Ruling TR 2001/14 *Income tax: Division 35 – non-commercial business losses.*

Income requirement

You must meet the income requirement to continue to access the 4 tests to offset your loss from a business activity against other assessable income.

You'll meet the income requirement and have access to the 4 tests if the total of the following amounts is less than $250,000:

- **Taxable income** is the amount shown, or that would be shown, on page 4 of your tax return if the loss from this activity at row **f** in **Worksheet 1** is claimed and not added back at question **16** less any assessable first home super saver (FHSS) amount. If you have an FMD repayment in relation to the loss activity, include it in calculating the loss from the activity. If your **taxable income** is zero or a loss, and the loss from this activity is $250,000 or more, you need to complete **Worksheet 2a or 2b**. You need to complete **Worksheet 2a or 2b** for each activity with a loss of $250,000 or more:
- **Total reportable fringe benefits amounts** shown on your payment summary and totalled at question **IT1** – label **N** and **W** in your tax return.
- **Reportable super contributions** are your reportable employer super contributions (shown on your payment summary and totalled at question **IT2** – label **T** in your tax return), plus any deductible personal super contributions shown at question **D12** in your supplementary tax return.
- **Net investment losses** are the total of your financial investment losses (shown at question **IT5** – label **X** in your tax return) and rental properties losses (shown at question **IT6** – label **Y** in your tax return).

If you don't meet the income requirement, you'll have to defer your loss unless the Commissioner has exercised his discretion or ruled that it will be exercised, or another exception applies.

Depending on your circumstances, there are 2 different calculations to help you work out your income:

- If you made a loss in a previous income year, go to option 1.
- If this is your first year in business, or you have not made a loss in a previous income year, go to option 2.

Option 1 - Prior year loss

Use worksheet 2a to help calculate:

- your income for the income requirement where you had a prior year loss
- if you've passed the profits test.

To complete worksheet 2a, follow the instructions below:

Worksheet 2a: Calculating your income for NCL purposes with a prior year loss

Row	Calculation element	Amount
a	**Your taxable income** Your taxable income is your assessable income less your allowable deductions for an income year. For the purposes of the income requirement, any assessable FHSS scheme released amount and any losses from the business activity are ignored. That is, any: • business losses are added back to your taxable income, if they are already included in the calculation of your taxable income • assessable FHSS released amount is subtracted from your taxable income, if it is already included in the calculation of your taxable income. If your taxable income is a loss after adding back the business losses and subtracting the FHSS amount, use zero for this part of the calculation.	**$**
b	**Your total reportable fringe benefits** This is shown at question **IT1** – label **N** and **W**. Your total reportable fringe benefits are shown on your income statements or payment summaries. If the total amount is less than the reportable fringe benefits threshold of $2000, it won't be shown on your income statement or payment summary and wouldn't form part of the calculation. If the amount is below the $2000 threshold, use zero for this part of the calculation.	**$**
c	**Reportable super contributions** Reportable super contributions include your: • reportable employer super contributions • personal deductible contributions. This is shown at shown at question **IT2** – label **T**. *Reportable employer super contributions* Reportable employer super contributions are salary sacrificed super contributions or other contributions your employer makes to a super fund on your behalf where: • you influence the amount or rate of super your employer contributes • the contributions are additional to the minimum contributions they must make under – super guarantee law – an industrial agreement – the trust deed or governing rules of a super fund – a federal, state or territory law. If your employer makes reportable employer super contributions for your benefit, they must include the total amount of these contributions on your income statement or payment summary for the relevant income year. You must then include this amount in your tax return.	**$**

Row	Calculation element	Amount
	Check with your employer for details of your salary sacrificed super contributions. *Personal deductible contributions* Your personal deductible contributions include any personal contributions you make to a super fund that you can claim a deduction for in your individual tax return. If you make a personal contribution and you don't claim a deduction for it, that amount isn't a reportable super contribution. Add your reportable employer super and personal deductible contributions together and use the value for this part of the calculation.	
d	**Net investment loss** This is shown at question **IT5** – label **X** and question **IT6** – label **Y** in your tax return. You'll have a total net investment loss when the amount of allowable deductions you claim for your financial investments and rental properties is more than the gross income you receive from those investments. It doesn't matter whether the investment is overseas or in Australia. Your total net investment loss is the sum of your net investment losses from the following 2 types of investments: • rental property investments, such as negatively geared rental properties • financial investments, such as negatively geared share portfolios. When working out your net investment losses, you can't use net income from either your: • rental property investment to offset a loss from your financial investment • financial investment to offset a loss on your rental property investment.	**$**
e	Add rows **a**, **b**, **c** and **d**. This is value **e**	**$**
f	**Previous year carried forward Non-commercial Losses** This is shown at question **L1** – label **Q** and **R**, but not claimed at question **L1** – label **F** and **Z**. If you have any deferred losses from your business activity from the previous income year, include them at row **f** in the calculation.	**$**
g	Subtract **f** from **e**. This is your income for non-commercial losses (NCL) purposes.	**$**

Option 2 - First year in business or no prior year loss

Use worksheet 2b to help you calculate your income for the income requirement where this is your first year in business or if you don't have any prior year losses.

Worksheet 2b: Calculating your income for NCL purposes in first year of business or without prior year losses

Row	Calculation element	Amount
a	**Your taxable income** Your taxable income is your assessable income less your allowable deductions for an income year. For the purposes of the income requirement, any assessable FHSS scheme released amount and any losses from the business activity are ignored.That is, any: • business losses are added back to your taxable income, if they are already included in the calculation of your taxable income • assessable FHSS released amount is subtracted from your taxable income, if it is already included in the calculation of your taxable income. If your taxable income is a loss after adding back the business losses and subtracting the FHSS amount, use zero for this part of the calculation.	**$**
b	**Your total reportable fringe benefits** This is shown at question **IT1** – label **N** and **W**. Your total reportable fringe benefits are shown on your payment summaries. If the total amount is less than the reportable fringe benefits threshold of $2000, it won't be shown on your income statement or payment summary and wouldn't form part of the calculation. If the amount is below the $2000 threshold, use zero for this part of the calculation.	**$**
c	**Reportable super contributions** Reportable super contributions include your: • reportable employer super contributions • personal deductible contributions. This is shown at question **IT2** – label **T**. *Reportable employer super contributions* Reportable employer super contributions are salary sacrificed super contributions or other contributions your employer makes to a super fund on your behalf where: • you influence the amount or rate of super your employer contributes • the contributions are additional to the minimum contributions they must make under: – super guarantee law – an industrial agreement – the trust deed or governing rules of a super fund – a federal, state or territory law.	**$**

Row	Calculation element	Amount
	If your employer makes reportable employer super contributions for your benefit, they must include the total amount of these contributions on your income statement or payment summary for the relevant income year. You must then include this amount in your tax return. Check with your employer for details of your salary sacrificed super contributions. *Personal deductible contributions* Your personal deductible contributions include any personal contributions you make to a super fund that you can claim a deduction for in your individual tax return. If you make a personal contribution and you don't claim a deduction for it, that amount isn't a reportable super contribution. Add your reportable employer super and personal deductible contributions together and use the value for this part of the calculation.	
d	**Net investment loss** This is shown at question **IT5** – label **X** and question **IT6** – label **Y** in your tax return. You'll have a total net investment loss when the amount of allowable deductions you claim for your financial investments and rental properties is more than the gross income you receive from those investments. It doesn't matter whether the investment is overseas or in Australia. Your total net investment loss is the sum of your net investment losses from the following 2 types of investments: • rental property investments, such as negatively geared rental properties • financial investments, such as negatively geared share portfolios. When working out your net investment losses, you can't use net income from your: • rental property investment to offset a loss from your financial investment • financial investment to offset a loss on your rental property investment.	**$**
e	Add rows **a**, **b**, **c** and **d**. This is your income for NCL Purposes	**$**

The Commissioner's discretion

If you meet the income requirement for the most recent income year ending before you request that the discretion is exercised, the Commissioner can exercise his discretion to allow a loss from a business activity to be claimed in the year it arises. This can occur even if none of the 4 tests are satisfied, provided either:

- the business activity is affected by special circumstances outside of your control (for example, natural disasters) where the activity would have satisfied one of the 4 tests but for these special circumstances
- the business activity, because of its nature, has a lead time and consequently, you don't or won't satisfy any of the 4 tests – however, there is an objective expectation that within a period that is commercially viable for the industry either
  - you will satisfy one of the 4 tests
  - produce a profit for tax purposes for that year ('Commercial viability' is measured against independent industry standards).

If you exceed the income requirement for the most recent income year ending before you request that the discretion is exercised, the Commissioner can exercise his discretion to allow a loss from a business activity in more limited circumstances. The Commissioner can exercise his discretion in this instance if either:

- the business activity is affected by special circumstances outside of your control (for example, natural disasters) where the activity is unable to produce a tax profit and would have satisfied one of the 4 tests but for these special circumstances
- the business activity, because of its nature, has a lead time and, for this reason, doesn't or won't produce assessable income greater than the tax deduction attributable to that income. However, there is an objective expectation that it'll do so within a period that is commercially viable for the industry concerned ('Commercial viability' is measured against independent industry standards)
- your business activity has been affected by bushfire, flood or a government-imposed lockdown, business closure or restrictions due to COVID-19, you can consider using the safe harbour.
- your circumstances don't fall within the terms of the safe harbour, you can still apply for an exercise of the Commissioner's discretion in the usual way.

Applying for the Commissioner's discretion

You must apply in writing for advice on whether the Commissioner will exercise discretion. To do this, complete the Application for a private ruling on the Commissioner's discretion for non-commercial business losses. However, if you qualify for the safe harbour, there is no need to apply for the Commissioner's discretion.

Deferring your loss

If you're unable to claim your loss in 2024–25 because of these rules, you must **defer** the loss.

This deferred loss isn't disallowed. Instead, you take it into account for the next income year in which you carry on this business activity, or similar business activity.

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

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

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

If you're unable to claim your loss against other income in 2024–25 because of these rules, you must defer your loss by showing the amount at question **16** in your supplementary tax return. The amount shown at question **16** can't be used to reduce your 2024–25 taxable income.

Make sure you complete **Activity 1**, and if necessary, **Activity 2** and **Activity 3** at **P9** in your schedule before you complete question **16** in your supplementary tax return.

Completing the activities

If you have more than one loss activity to report, list your activities from the largest loss to the smallest loss and complete the activities in that order. Only the first 3 activities are to be reported.

If you aren't required to complete **Worksheet 2a or 2b** go to Activity 1. Otherwise, each activity needs to be completed as follows:

- the description of activity at label **D**
- the industry code at label **E**
- **P** for partnership or **S** for sole trader at label **F**
- **5** for type of loss at label **G**
- **AN** as reference for code **5** at label **C**
- **200926** for number at label **A**
- your net loss amount at label **I**.

Activity 1

Follow the instructions below to complete the steps for activity 1.

Description of activity

Describe the business activity from which you make the largest loss and enter this at **P9** – label **D** in your schedule. If your business activity is the result of an investment in a tax-effective arrangement, enter the name of the project at label **D**.

Industry code

Write the appropriate industry code for the business activity.

Code the 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 you write in the tax return is **01600**.

An incorrect code may result in you not receiving a necessary service or material from us, or could lead us to incorrectly target audits. Tax statistics use the industry code you provide to publish industry benchmarks.

The industry codes we use are 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. Use our Business industry code (BIC) tool to help you find the correct BIC for your business activity.

Partnership or sole trader

At **P9** – label **F**, enter either **P** in the box at **Partnership** (loss from a business activity carried on in partnership with others) or **S** in the box at **Sole trader** (loss from a business activity carried on as a sole trader).

Type of loss

Select the most appropriate code from the following list and enter it at **P9** – label **G** in your schedule.

Codes to use for P9 – label G

Code	Description
1	Your assessable income from the business activity for 2024–25 is at least $20,000 and you met the income requirement.
2	The business activity produced a profit for tax purposes in 3 out of the past 5 years (2020–21 to 2024–25) and you met the income requirement.
3	The value of real property assets or interests in real property (excluding any private dwelling) used on a continuing basis in carrying on the business activity is at least $500,000 and you met the income requirement.
4	The value of certain other assets (except cars, motorcycles or similar vehicles) used on a continuing basis in carrying on the business activity is at least $100,000 and you met the income requirement.
5	We have written to advise you that the Commissioner will exercise his discretion to allow you to claim a loss for that business activity for 2024–25. This is where the Commissioner has issued a product ruling or a private ruling allowing losses to be claimed from an activity you participated in: • Some business activities may be covered by a product ruling or private ruling that doesn't relate to 2024–25. Use loss code **5** only if you have advice in writing that the Commissioner will exercise his discretion for 2024–25. • If you apply for a private ruling for the Commissioner to exercise his discretion for 2024–25, but haven't received the ruling, use loss code **8** unless another code applies. Use loss code **5** if your business activity has been affected by bushfire, flood or a government-imposed lockdown or, business closure or restrictions due to COVID-19 and you satisfy the conditions to apply the safe harbour in 2024–25 and choose to apply it.
6	The loss was from a business activity you operated that was a professional arts business and your assessable income (excluding any net capital gain) from unrelated sources was less than $40,000. A professional arts business is a business you carry on as an author of a literary, dramatic, musical or artistic work, as a performing artist, or as a production associate.
7	The loss is from a business activity you operated that is a primary production business, and your assessable income (excluding any net capital gain) from unrelated sources was less than $40,000.
8	The above loss codes don’t apply. You must defer your loss and complete question **16** in your supplementary tax return.

Do you use loss code 5 at P9 – label G?

- **No** – Go to Deferred non-commercial business losses from a prior year.
- **Yes** – You must complete **Reference for code 5** at **P9** – label **C** in your schedule. Read on.

Reference for code 5

If your business activity is covered by a product ruling that states that the Commissioner will exercise his discretion to allow a loss from that business activity:

- enter **PR** at **C** in the **Code** section of **Reference for code 5** for **P9** in your schedule
- enter the year of the product ruling at **Y** in the **Year** section
- enter the product ruling number at **A** in the **Number** section (don't include the year of the product ruling nor the slash).

If your business activity is covered by a private ruling that states that the Commissioner will exercise his discretion to allow a loss from that business activity, write **AN** at **C** in the **Code** section of **Reference for code 5** question **P9** in your schedule.

If your business activity is covered by the safe harbour and you choose to use it in 2024–25:

- write **AN** at **C** in the **Code** section of **Reference for code 5** for **P9** in your schedule
- enter **SH** at **A** in the **Number** section.

Deferred non-commercial business loss from a prior year

Write the amount of your deferred non-commercial business loss from a prior year for the business activity at **P9** – label **H** in your schedule. Don't show cents. Your prior year deferred non-commercial business loss for a business activity may be reduced if you earned net exempt income in 2024–25.

If you became bankrupt or received a relief from debt, the deferred losses will no longer be available. The loss can't be deducted in 2024–25 or any future year.

For more information on how exempt income and bankruptcy affect deferred non-commercial business losses, contact us.

Net loss

Write your net loss from the business activity for 2024–25 at **P9** – label **I** in your schedule. Don't show cents. If you completed **Worksheet 1** for the activity and the result at row **f** was negative, this is your net loss amount. The example below (example 9) will help you work out what to include at **P9**.

Activity 2 and Activity 3

Fill out details for the second and third-largest losses (if applicable) in the same way you have done for Activity 1.

If you make a loss from more than 3 business activities, determine whether you need to defer the loss for each additional business activity. You'll need the total amount of your deferred non-commercial business losses to complete question **16** in your supplementary tax return.

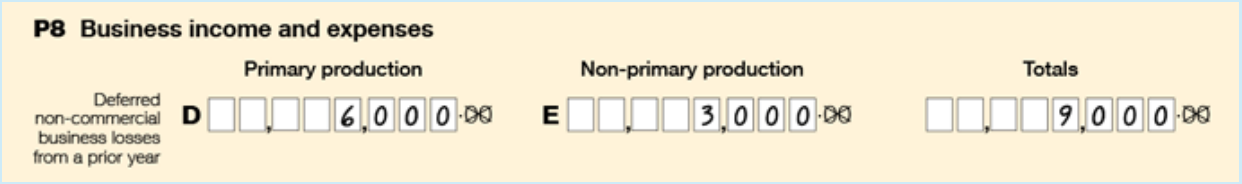
The following example shows how to complete **P8** and **P9** in your schedule and how the amounts link to your supplementary tax return.

Example 9: deferred non-commercial business losses

In 2023–24, Kieren had to defer his non-commercial business loss of $6,000 from his beef cattle primary production business activity. He also had to defer his non-commercial business loss of $3,000 from his retail (computer repairs) business activity in the same year.

Kieren operated the same activities in 2024–25. If he isn't required to defer the losses from either activity, he can claim the $6,000 business loss from the beef cattle primary production business activity as a deduction for calculating any net profit or loss from that business activity for 2024–25. He can also claim the $3,000 business loss from the retail non-primary production business activity as a deduction for calculating any net profit or loss from that business activity for 2024–25.

Kieren would write the amount of $6,000 as a deduction at **P8** – label **D**, the amount of $3,000 as a deduction at **P8** – label **E**, and $9,000 at Totals on his *Business and professional items schedule for individuals 2025*.



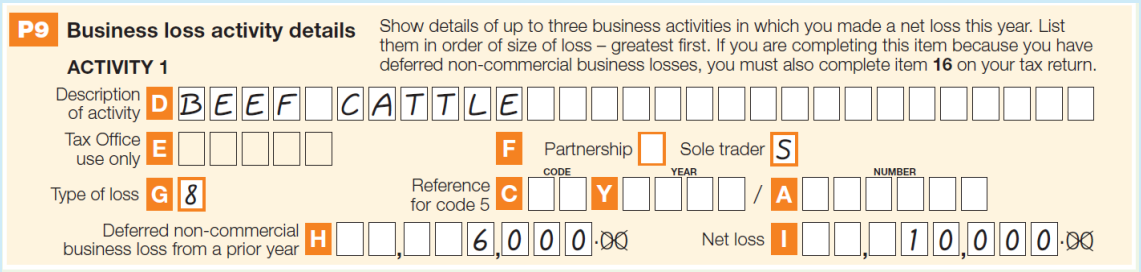
In 2024–25, Kieren made a loss of $4,000 from the beef cattle primary production business. After taking into account his deferred non-commercial primary production business loss of $6,000 from 2024–25, he made a net loss of $10,000 that was shown at question **15** – label **B**. He withdrew $9,000 from a farm management deposit account related to his beef cattle primary production business shown at question **17** – label **R**. Kieren completed **Worksheet 1** as follows:

Worksheet 1 – Working out whether you have a loss for the business activity

Row	Calculation element	Amount $
a	Income from the activity at other questions such as: gross interest question **10** – label **L**, dividends question **11** – labels **S**, **T**, **U**, farm management repayments question **17** – labels **N**, **R**, net capital gain question **18** – label **A** and other net foreign source income question **20** – label **M**	9,000
b	Loss from the activity as shown at: distribution from partnerships question **13** – label **N**, question **13** – label **O**, net personal services income question **14** – label **A**, net income or loss from business question **15** – label **B**, question **15** – label **C** (show the loss as a positive amount)	10,000
c	Partner deductions attributable to the activity shown at question **13** – labels **I**, **J**, **X**, **Y**	0

d	Loss from the activity at question **20** – label **M** (show the loss as a positive amount)	0
e	Add rows **b**, **c** and **d**.	10,000
f	Net loss Subtract row **e** from **a**.	-1,000

Kieren's assessable income from unrelated sources (excluding any net capital gain) was less than $40,000 and he met the income requirement. Kieren would show the $6,000 deferred non-commercial business loss from 2023–24 at **P9** – label **H**, and the overall net loss of $1,000 at **P9** – label **I** in his *Business and professional items schedule for individuals 2025*. He would show loss code **7** at **P9** – label **G** in the **Type of loss** box.



In 2024–25, Kieren made a loss of $5,000 from the computer repairs non-primary production business. After taking into account his deferred non-commercial non-primary production business loss of $3,000 from 2023–24, he made a net loss of $8,000 that he entered at question **15** – label **C**. Kieren also earned interest of $10 on his business account that he entered at question **10** – label **L**. He completes **Worksheet 1** as follows:

Worksheet 1: Working out whether you have a loss for the business activity

Row	Calculation element	Amount $
a	Income from the activity at other questions such as: gross interest question **10** – label **L**, dividends question **11** – labels **S**, **T** and **U**, farm management repayments question **17** – labels **N** and **R**, net capital gain question **18** – label **A** and other net foreign source income question **20** – label **M**	10
b	Loss from the activity as shown at: distribution from partnerships question **13** – label **N** and **O**, net personal services income question **14** – label **A**, net income or loss from business question **15** – label **B** and **C** (show the loss as a positive amount)	8,000
c	Partner deductions attributable to the activity shown at question **13** – labels **I**, **J**, **X** and **Y**	0
d	Loss from the activity at question **20** – label **M** (show the loss as a positive amount)	0

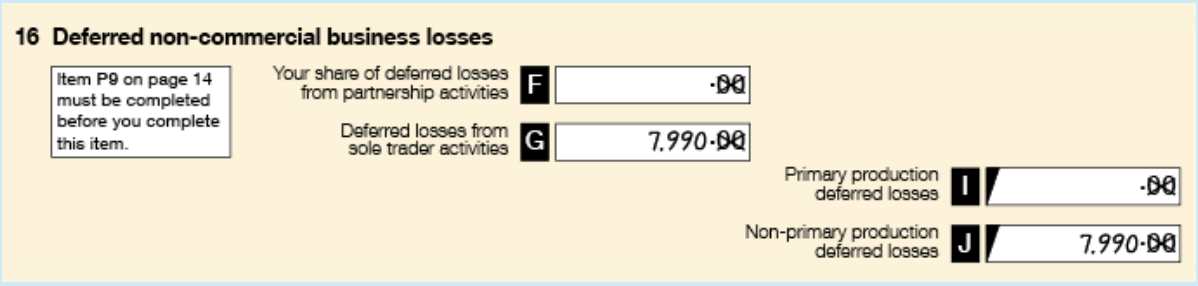
e	Add rows **b**, **c** and **d**.	8,000
f	Net loss Subtract row **e** from **a**.	-7,990

Kieren didn't satisfy any of the non-commercial business loss criteria that allows a business loss to be used to reduce other income, so he must defer the net loss beyond 2024–25.

Kieren shows the $3,000 deferred non-commercial business loss from 2023–24 at **P9** – label **N**, and the overall net loss of $7,990 at **P9** – label **O** in his *Business and professional items schedule for individuals 2025*. As the loss is deferred, he writes loss code **8** at **P9** – label **M** in the **Type** of loss box.



Kieren also needs to complete question **16** – labels **G**, **I** and **J** in his supplementary tax return, deferring his net loss of $7,990 from non-primary production. He isn't able to use this net loss to reduce his other 2025 income.



Small business entity simplified depreciation – P10

Instructions to complete P10 Small business entity simplified depreciation.

About P10 Small business entity simplified depreciation

You only need to complete **P10** if you're a small business entity using the simplified depreciation rules. All other entities, go to Trade debtors and creditors – P13 and P14.

In 2024–25, the $20,000 instant asset write-off limit applies to small business entities using the simplified depreciation rules.

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

How to complete P10

To complete this question, you'll need the amounts you calculated for small business entity depreciation deductions in Appendix 1: Calculations for small business depreciation deductions and Worksheet 2

Step 1: Transfer the amount at row **a** in Worksheet 2 to **P10** – label **A**. Don't show cents.

Step 2: Add up the amounts at rows **b** and **c** in Worksheet 2 and write the total at **P10** – label **B**. Don't show cents.

Write the depreciation deductions at labels **A** and **B**, not the pool balances.

Trade debtors and creditors – P13 and P14

Instructions to complete P13 Trade debtors and P14 Trade creditors.

P13 Trade debtors

Answer the following question to complete this label.

Do you have any trade debtors?

- **No** – Go to P14 Trade creditors.
- **Yes** – Read on.

You need to know

This is the total amount owing to the business at the end of the year for goods and services provided during 2024–25 (that is, current trade and other debtors).

Completing this question

Step 1: Work out the total amount owing from trade and other debtors. If you have more than one business, add up all trade and other debtor amounts.

Step 2: Write the total at **P13** – label **E** in your schedule. Don't show cents.

P14 Trade creditors

Answer the following question to complete this label.

Do you have any trade creditors?

- **No** – Go to P15 Total salary and wage expenses.
- **Yes** – Read on.

You need to know

This is the total amount owed by the business at the end of the year for goods and services received during 2024–25 (that is, current trade and other creditors).

Completing this question

Step 1: Work out the total amount owing to trade and other creditors. If you have more than one business, add up all trade and other creditor amounts.

Step 2: Write the total at **P14 Trade creditors** – label **F** in your schedule. Don't show cents.

Total salary and wage expenses – P15

Instructions to complete P15 Total salary and wage expenses.

You need to know

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

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

- allowances
- bonuses
- casual labour
- retainers and commissions paid to people who received a retainer
- workers compensation paid through payroll
- include any salary or wages paid to relatives and other related entities both here and at **P16** – label **H** in your schedule.

Include also:

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

Exclude:

- agency fees
- contract payments
- sub-contract payments
- service fees
- super
- management fees
- consultant fees
- payments made from 1 July 2024 where you have not complied with the PAYG withholding and reporting obligations for those payments
- payments for workers compensation arising from damages.

For more information, see Removing tax deductibility of non-compliant payments.

Completing this question

Do you pay salary and wages as a business expense?

- **No** – Go to P16 Payments to associated persons.
- **Yes** – Read on.

Complete the following steps.

Step 1: Add up total salary and wage expenses from each business.

Step 2: Write the total at **P15 Total salary and wage expenses** – label **G** in your schedule. Don't show cents.

Step 3: Select the letter that matches the description of the expense component where the salary and wage expenses have been wholly or predominantly reported at **P8 Business income and expenses** from the list below:

- **C** – all included in the expense component **Cost of sales**
- **A** – all included in the expense component **All other expenses**
- **B** – included in the expense component of both **Cost of sales** and **All other expenses**
- **O** – included in expense components other than **Cost of sales** and **All other expenses**.

Step 4: Print the appropriate letter in the **Type** box at label **G**.

Payments to associated persons – P16

Instructions to complete P16 payments to associated persons.

You need to know

These are amounts, including salary, wages, commissions or allowances, paid to your relatives. These also include super contributions paid for the benefit of your relatives.

You must also include amounts of salary or wages paid to your relatives and a partnership in which your relatives are partners at **P15 Total salary and wage expenses** – label **G** in your schedule.

You need to keep the following records:

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

Excessive or unreasonable payments to your relatives, or a partnership in which your relatives are partners, may not be deductible. The PSI rules (see, P1 Personal services income (PSI)) also limit deductions for payments to associates.

Completing this question

Do you make any payments to associated persons as a business expense?

- **No** – Go to P17 Intangible depreciating assets first deducted.
- **Yes** – Read on.

Complete the following steps.

Step 1: Add up payments made to relatives and related partnerships from each business.

Step 2: Write the total at **P16** – label **H** in your schedule. Don't show cents.

Depreciating assets – P17 to P20

Instructions to complete P17, P18, P19 and P20 – depreciating assets.

P17 Intangible depreciating assets first deducted

Answer the following questions to complete this label.

Do you use the simplified depreciation rules?

- **Yes** – Small business entities using the simplified depreciation rules don't complete this question. Go to P21 Trading stock election.
- **No** – Read on.

Have you started to deduct the decline in value of any intangible depreciating assets?

- **No** – Go to P18 Other depreciating assets first deducted.
- **Yes** – Read on.

You need to know

The following intangible assets are regarded as depreciating assets (as long as they aren't trading stock):

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

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

At **P17 Intangible depreciating assets first deducted** you need to show the cost of all intangible depreciating assets that you're claiming a business deduction for decline in value **for the first time**. If you have allocated any intangible depreciating assets with a cost of less than $1,000 to a low-value pool for the income year, you also need to include the cost of those assets at **P17 Intangible depreciating assets first deducted**. Don't reduce the cost for estimated non-taxable use.

Expenditure on in-house software that you allocated to a software development pool isn't shown at **P17 Intangible depreciating assets first deducted**.

For more information, see Guide to depreciating assets 2025.

Completing this question

Step 1: Add up the costs of intangible depreciating assets first deducted from each business.

Step 2: Write the total at **P17** – label **I** in your schedule. Don't show cents.

P18 Other depreciating assets first deducted

Answer the following questions to complete this label.

Do you use the simplified depreciation rules?

- **Yes** – Small business entities using the simplified depreciation rules don't complete this question. Go to P21 Trading stock election.
- **No** – Read on.

Have you started to deduct the decline in value of any other depreciating assets in 2024–25?

- **No** – Go to P19 Termination value of intangible depreciating assets.
- **Yes** – Read on.

You need to know

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

At **P18 Other depreciating assets first deducted** you need to include the cost of all depreciating assets (other than intangible depreciating assets) that you're claiming a business deduction for the decline in value for the first time.

If you have allocated any depreciating assets with a cost of less than $1,000 to a low-value pool for 2024–25, you also need to include the cost of those assets at **P18 Other depreciating assets first deducted**. Don't reduce the cost for estimated non-taxable use.

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

For more information, see Guide to depreciating assets 2025.

Completing this question

Step 1: Add up the costs of other depreciating assets first deducted from each business.

Step 2: Write the total at **P18** – label **J** in your schedule. Don't show cents.

P19 Termination value of intangible depreciating assets

Answer the following questions to complete this label.

Do you use the simplified depreciation rules?

- **Yes** – Small business entities using the simplified depreciation rules don't complete this question. Go to P21 Trading stock election.
- **No** – Read on.

Have you stopped holding or using any intangible depreciating assets in 2024–25?

- **No** – Go to P20 Termination value of other depreciating assets.
- **Yes** – Read on.

You need to know

Don't show at this question any amounts you receive during 2024–25 in relation to in-house software for which you have allocated expenditure to a software development pool.

Include the termination values for intangible depreciating assets (including intangible assets allocated to a low-value pool) that you stop holding or using during 2024–25 (for example, assets you sold, or that were lost or destroyed).

Generally, the termination value is the amount you receive or are deemed to receive for the asset that you stop holding or using. It includes the market value of any non-cash benefits, such as goods and services, you received for the asset.

Where the amount you receive or are deemed to receive for the asset is less than its market value, and you don't deal at arm's length with another party to the transaction, the termination value is the market value of the asset just before you stop holding it.

Completing this question

Step 1: Add up the amounts you receive or are deemed to receive for all intangible depreciating assets that you stop holding or using in your business, other than one of the following:

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

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

Step 2: Write the total at **P19** – label **D** in your schedule. Don't show cents.

For more information, see Guide to depreciating assets 2025.

P20 Termination value of other depreciating assets

Answer the following questions to complete this label.

Do you use the simplified depreciation rules?

- **Yes** – Small business entities using the simplified depreciation rules don't complete this question. Go to P21 Trading stock election.
- **No** – Read on.

Have you stoped holding or using any other depreciating assets in 2024–25?

- **No** – Go to P21 Trading stock election.
- **Yes** – Read on.

You need to know

At **P20 Termination value of other depreciating assets** you include the termination values for other depreciating assets (including assets allocated to a low-value pool) that you stop holding or using during 2024–25. For example, assets:

- you sell
- you dispose of under a private or domestic arrangement
- lost or destroyed.

Generally, the termination value is the amount you receive or are deemed to receive for the asset that you stop holding or using. It includes the market value of any non-cash benefits, such as goods and services, you receive for the asset.

Where the amount you receive or are deemed to receive for the asset is less than its market value, and you don't deal at arm's length with another party to the transaction, the termination value is the market value of the asset just before you stop holding it.

Completing this question

Step 1: Add up the amounts you receive or are deemed to receive for all depreciating assets that you stop holding or using in your business other than:

- intangible depreciating assets
- assets allocated in a prior year to the general small business pool or the formerly available long-life small business pool
- assets that an immediate deduction is allowed under the simplified depreciation rules
- buildings or structures that a deduction is available under the capital works provisions
- assets falling within the provisions relating to investments in Australian films.

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

Step 2: Write the total at **P20** – label **K** in your schedule. Don't show cents.

For more information, see Guide to depreciating assets 2025.

Trading stock election – P21

Instructions to complete P21 Trading stock election.

You need to know

If you have valued trading stock on hand at the end of 2024–25 at an amount that is less than the lowest amount available using one of the valuation methods at Closing stock, you must notify the Commissioner.

Completing this question

Have you made a trading stock election?

- **No** – Go to Check before lodging.
- **Yes** – Read on.

If you must notify the Commissioner about your trading stock election, print **Y** at **P21** – label **P** in your schedule. Otherwise leave label **P** blank.

Check before lodging

Check before lodging your business and professional items schedule that you have done all of the following, you:

- write the correct amount in your schedule for each question that applies to you
- correctly transfer the amount at **P1 Personal service income** – label **A Net PSI** in your *Business and professional items schedule 2025* to question **14** – label **A** in your supplementary tax return
- correctly transfer the amounts at **P8 Net income or loss from business** – labels **Y** and **Z NET INCOME OR LOSS FROM BUSINESS** in your *Business and professional items schedule for individuals 2025* to question **15** – labels **B** and **C** (respectively) in your supplementary tax return
- complete and attach the *Individual PAYG payment summary schedule* to your tax return, if you receive business income that is subject to withholding
- kept your records to prove your claims, where required.

Appendixes

Additional information to help you complete certain sections of your business and professional items schedule.

Appendix 1: Calculations for small business depreciation deductions

Calculation 1: Deduction for certain assets and cost additions

For an explanation of the terms we use in this section, see Guide to depreciating assets 2025 and Tax time definitions. Under the instant asset write-off measure, an immediate deduction is available for the cost of certain depreciating assets that:

- you start to use, or instal ready for use for a taxable purpose between 1 July 2024 and 30 June 2025
- cost less than $20,000 at the end of the income year
- qualify for a deduction under the simplified depreciation rules.

For an asset that 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 all of the following:

- 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 2024 and 30 June 2025.

To work out the taxable purpose proportion of each of these assets and cost additions, calculate the deduction as follows:

- **Step 1:** Multiply each asset's adjustable value and any cost addition amounts by the taxable purpose proportion (%).
- **Step 2:** Add up these results and write the total at row **a** in Worksheet 2.

For assets you held before using the simplified depreciation rules, assets that cost $20,000 or more and all other cost additions – see Calculation 2.

Example: deduction for assets costing less than $20,000

Jeff bought a utility truck on 1 December 2024 for $17,000 (excluding input tax credit entitlements). Jeff later installed a bull bar on 15 March 2025 for $2,000. He uses the vehicle for producing assessable income from 1 December 2024.

He estimated that his use of the vehicle for producing assessable income was 70% of the time.

To calculate the immediate deduction, Jeff uses the formula:

($17,000 + $2,000) × 70% = $13,300

Jeff can claim an immediate deduction of $13,300 at **P8** – label **M**.

Calculation 2: Deductions for the general small business pool

You allocate depreciating assets to the general small business pool that:

- you held prior to using the simplified depreciation rules
- cost $20,000 or more, even if the taxable purpose proportion is less than $20,000.

You can choose to not allocate an asset to your general small business pool if you first use it, or install it ready for use, for a taxable purpose before 1 July 2001.

To calculate your deductions for the general small business pool, there are 3 parts:

- Calculation 2a – Calculate your opening pool balance
- Calculation 2b: Deduction for existing assets in the general small business pool
- Calculation 2c: Deduction for newly acquired pooled assets and cost additions

Calculation 2a – Calculate your opening pool balance

Calculate your opening pool balance, where:

- 2024–25 the first income year using simplified depreciation rules
- 2024–25 not the first income year using simplified depreciation rules

2024–25 the first income year using simplified depreciation rules

For small business entities that have not previously used the simplified depreciation rules, the opening pool balance is the sum of the taxable purpose proportions of the adjustable values of those depreciating assets that are both:

- used, or held for use, just before the start of 2024–25
- not excluded from the simplified depreciation rules.

To calculate your deductions for the general small business pool, see Calculation 2b and Calculation 2c.

Example: calculating the opening balance

Before using the simplified depreciation rules, Fiona held the following depreciating assets that she used in her business in 2023–24. All of these needed to be placed into her small business pool in 2024–25, as she chose to apply the simplified depreciation rules from this year. She calculated the opening pool balance including:

- a station wagon with an opening adjustable value of $38,000 (which Fiona estimated she uses 70% of the time in her business), for which she calculated the amount to include in the pool as $38,000 × 70% = $26,600
- a computer with an opening adjustable value of $3,000 (which Fiona estimates she used 70% of the time in her business), for which she calculated the amount to include in the pool as $3,000 × 70% = $2,100
- a refrigerated cabinet with an opening adjustable value of $1,500 (which Fiona used solely for the business), for which she calculated the amount to include in the pool as $1,500 × 100% = $1,500.

These assets were allocated to the small business pool, with an opening balance of $30,200.

2024–25 not the first income year using simplified depreciation rules

If 2024–25 isn't the first income year in which you're a small business entity using the simplified depreciation rules, the opening balance of your small business pool for the current year is the closing balance from the previous year, adjusted to reflect any change in taxable purpose of pooled assets.

Calculation 2b: Deduction for existing assets in the general small business pool

Before calculating the deductions in calculations 2b and 2c, but after taking into account any additions and disposals (see, steps 1-3 in Calculation 5), if the balance of a pool is below $20,000 but greater than zero you can claim an immediate deduction for this amount. Write this deduction against general small business pool assets at row **b** in Worksheet 2.

If the balance of a pool is over $20,000, calculate your deduction for the general small business pool in 2024–25 as follows:

- **Step 1:** Multiply the opening pool balance by 30% (pool rate).
- **Step 2:** Where necessary, make a reasonable apportionment for the general small business pool deduction between primary production and non-primary production activities.
- **Step 3:** Write the result of your general small business pool deduction at row **b** in Worksheet 2

You can also work out your depreciation and capital allowance claims by using the Depreciation and capital allowances tool.

Calculation 2c: Deduction for newly acquired pooled assets and cost additions

You calculate your deduction at half the general small business pool rate for:

- depreciating assets, including motor vehicles, that cost more than $20,000 that you first use or instal ready for use for a taxable purpose during 2024–25
- cost addition amounts costing $20,000 or over you incur in 2024–25 for assets already allocated to the general small business pool – for more information see Small business pool calculations.

Calculate your deduction as follows:

- **Step 1:** Multiply the taxable purpose proportion of the adjustable value of each depreciating asset, first used for a taxable purpose this income year, by 15% (half pool rate).
- **Step 2:** Multiply the taxable purpose proportion of the cost addition amounts by 15% (half pool rate).
- **Step 3:** Add amounts from Step 1 and Step 2 and write the calculated amount at row **c** in Worksheet 2.

Calculation 3: Other depreciating assets

Work out your deduction for the decline in value of all your other depreciating assets that aren't calculated using the simplified deprecation rules under Calculations 1 and 2.

For information on how to calculate the decline in value of assets under the UCA rules, see Guide to depreciating assets 2025.

Write your total deduction for other depreciating assets at row **d** in Worksheet 2.

Don't include at row **d** in Worksheet 2 depreciating assets that qualify for a deduction under Subdivision 40-F or 40-G of the *ITAA 1997*, such as:

- water facilities
- fencing assets
- fodder storage assets
- landcare operations.

If you used Subdivisions 40-F or 40-G to calculate your deduction for these depreciating assets, show these deductions at **P8 Reconciliation items** – label **W** Landcare operations and deduction for decline in value of water facility, fencing asset and fodder storage asset.

Calculation 4: Disposal of depreciating assets

If you used the simplified depreciation rules and you've sold or ceased to use an asset in 2024–25, 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.

- Calculation 4a: Assets immediately deducted under the simplified depreciation rules
- Calculation 4b: Assets allocated to the general small business pool
- Calculation 4c: Other depreciating assets

Calculation 4a: Assets immediately deducted under the simplified depreciation rules

You may need to include an amount in your assessable income to allow for any excess between what you receive for the asset over what you've claimed as a depreciation deduction. This applies if the asset is either:

- a depreciating asset (costing less than the relevant instant asset write-off limit) for which you have claimed an immediate deduction in Calculation 1 this year
- a depreciating asset for which you have claimed an immediate deduction in previous income years under the simplified depreciation rules.

To calculate the assessable amount, multiply the termination value by the taxable purpose proportion of the asset at the time it was written off. Include this value at **P8 Reconciliation items** – label **X** Income reconciliation adjustments.

Example: calculating taxable purpose proportion of the termination value

Aziz acquired an asset on 1 July 2024 for $6,400.

He estimated to use the asset for producing assessable income 25% of the time and claimed an immediate deduction of $1,600 under the instant asset write-off.

Aziz disposed of this asset on 1 April 2025 for $5,000. He includes $1,250 ($5,000 × 25%) as income at **P8 Reconciliation items**.

Calculation 4b: Assets allocated to the general small business pool

Where you dispose of depreciating assets that have been allocated to the general small business pool, you deduct the taxable purpose proportion of the termination value from the closing pool balance in step 3 of Calculation 5.

Calculation 4c: Other depreciating assets

Where you dispose of assets that were not depreciated using the simplified depreciation rules, a balancing adjustment event may occur. You'll need to calculate a balancing adjustment amount to include in your assessable income or to claim as a deduction. For more information see, Guide to depreciating assets 2025 – What happens if you no longer hold or use a depreciating asset?.

You can also work out your depreciation and capital allowance claims by using the Depreciation and capital allowances tool.

Balancing adjustment amounts are included at **P8 Reconciliation items**. For more information, see:

- What are income reconciliation adjustments?
- What are expense reconciliation adjustments?

Calculation 5: Closing pool balance

Calculate your closing pool balance at the end of the year as follows:

- **Step 1:** Add the taxable purpose proportion of the adjustable value of assets that were first used, or installed ready for use, for a taxable purpose during 2024–25 (see Calculation 2c) to your opening pool balance (from Calculation 2a).
- **Step 2:** Add the taxable purpose proportion of any cost addition amounts for assets that were already in the pool at the beginning of the income year (from Calculation 2c).
- **Step 3:** Subtract the taxable purpose proportion of the termination value of any pooled assets disposed of during the income year (from Calculation 4b).

  If after completing step 3 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 2. The pool's closing balance for 2024–25 will be zero after claiming the immediate deduction.

  If the value of the small business spool is $20,000 or more after completing Step 3, continue calculations as per the steps below.
- **Step 4:** Subtract the general small business pool deduction (from Calculation 2b).
- **Step 5:** Subtract the deduction for newly acquired pooled assets (see Calculation 2c).
- **Step 6:** Subtract the deduction for any cost addition amounts for pooled assets (see Calculation 2c).

If the closing pool balance is less than zero, include this amount in your assessable income at **P8 Reconciliation items** – label **X**. If the total amount in this label is a loss, print code **L** in the box to the right of the amount.

The closing pool balance for this year becomes the opening pool balance for 2025–26, after any adjustments to reflect the changed business use of a pooled asset.

The closing pool balance is needed to work out your general small business pool deduction for next year. Don't write the closing pool balance in the tax return.

Worksheet 2: Simplified depreciation for small business entities

Worksheet 2 – Depreciation deductions (small business entities using simplified depreciation only)

Row	Calculation elements	Primary production	Non-primary production	Total
a	Deduction for certain assets (costing less than $20,000 instant asset write-off limit)	$	$	$
b	Deduction for general small business pool (30%)	$	$	$
c	Deduction for general small business pool for new assets only (15%)	$	$	$
d	Other depreciating assets	$	$	$
e	Total depreciation expenses: add the amounts at rows **a**, **b**, **c** and **d**	$	$	$