

## Worksheet 1: Reconciliation statement

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

	Primary production income \$	Non-primary production income \$
<b>A</b> Net profit or loss in the accounts	<input type="text"/> // <input type="text"/>	<input type="text"/> // <input type="text"/>
Additions:		
<b>B</b> Income reconciliation adjustments	<input type="text"/> // <input type="text"/>	<input type="text"/> // <input type="text"/>
<b>C</b> Expense reconciliation adjustments	<input type="text"/> // <input type="text"/>	<input type="text"/> // <input type="text"/>
<b>D</b> Net income or loss from business <b>(A + B + C)</b>	<input type="text"/> // <input type="text"/>	<input type="text"/> // <input type="text"/>

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

### Income reconciliation adjustments

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

<b>E</b> Assessable balancing adjustment amounts on depreciating assets	<input type="text"/>	<input type="text"/>
<b>F</b> Any excess of the tax value of closing stock over the tax value of opening stock (non-small business entities – see item <b>40 Closing stock</b> )	<input type="text"/>	<input type="text"/>
<b>G</b> Other assessable income not included in the accounts	<input type="text"/>	<input type="text"/>
<b>H</b> Subtotal <b>(E + F + G)</b>	<input type="text"/>	<input type="text"/>

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

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

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

## Expense reconciliation adjustments

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

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

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

<b>Q</b> Deduction for decline in value of depreciating assets (for taxpayers not using the small business entity depreciation rules)	<input type="text"/>	<input type="text"/>
<b>R</b> Deductible balancing adjustments amounts on depreciating assets	<input type="text"/>	<input type="text"/>
<b>S</b> Any excess of the tax value of opening stock over the tax value of closing stock (non-small business entities: see item <b>40 Closing stock</b> )	<input type="text"/>	<input type="text"/>
<b>T</b> Other tax-deductible items: <ul style="list-style-type: none"> <li>■ other amounts deductible under the uniform capital allowance system</li> <li>■ hire-purchase agreements – interest component</li> <li>■ luxury car leases – accrual amount</li> <li>■ part of prepaid expenses deductible this year but not shown in accounts</li> <li>■ 20% write-off of capital expenditure to terminate lease or licence**</li> <li>■ TOFA rules deductions not shown in accounts</li> <li>■ other deductible items</li> </ul>	<input type="text"/>	<input type="text"/>
<b>U Total***</b>	<b>P – (Q + R + S + T)</b>	
	<input type="text"/>	<input type="text"/>

\* Only include amounts at **M** if the trust is not using the small business entity depreciation rules. However, exclude any general small business pool deductions shown at **K** item **5** on the tax return.

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

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