Consolidated groups losses schedule instructions 2021

Complete the Consolidated groups losses schedule 2021, as the head company of a consolidated group.

Last updated 27 May 2021

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About these instructions

These instructions will help you complete the Consolidated groups losses schedule 2021 (NAT 7888) (the schedule).

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Completing the Consolidated groups losses schedule

To download a PDF copy of the Consolidated groups losses schedule or order a paper copy through our publications ordering service, go to Consolidated group losses schedule 2021.

These instructions include:

- What's new? – which covers changes in legislation in 2020–21 that you need to consider before you lodge your tax return

- Instructions – which cover the information you need to complete the items on the Consolidated groups losses schedule.

When we refer to **you** or **your business** in these instructions, we are referring either to:

- you as a business entity (for example, a company) that conducts a business, or
- you as the tax agent or public officer responsible for completing the schedule.

This publication is not a guide to income tax law. Contact us or a recognised tax adviser for help if you feel this publication does not fully cover your circumstances.

- To get a publication referred to in these instructions or information about our other services, see Order publications.

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Introduction

Find out who must complete the Consolidated groups losses schedule 2021.

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Who must complete a *Consolidated groups losses schedule*?

A head company of a consolidated group or multiple entry consolidated (MEC) group must complete the schedule and lodge it with the **Company tax return 2021**, if **any** of the following apply:

- The total of the group's tax losses and net capital losses carried forward to later income years is greater than $100,000.
- The total of its tax losses and net capital losses transferred from joining entities is greater than $100,000.
- The total of its tax losses deducted and net capital losses applied is greater than $100,000.
- It has an interest in a controlled foreign company (CFC) that has current year losses greater than $100,000.
- It has an interest in a CFC that has deducted or carried forward a loss to later income years greater than $100,000.
- It is a life insurance company, or is treated as a life insurance company under Subdivision 713-L of the ITAA 1997, and has a total

of complying superannuation class tax losses and net capital losses carried forward to later income years greater than $100,000 (complete part D of the schedule).

The examples provided in these instructions are for illustration purposes only and may use lower figures, for simplicity.

A head company may need to complete the schedule for certain aspects of its net capital losses. While some of the information requested in the schedule is also requested in the **Capital gains tax (CGT) schedule 2021** (NAT 3423) (CGT schedule), a head company that completes a consolidated groups losses schedule may also need to complete a CGT schedule.

If the head company completes the schedule for any aspect of its losses, it must complete all relevant parts of the schedule. For example, if a head company completes the schedule as a result of having tax losses and net capital losses carried forward to later income years greater than $100,000, it must also provide details of controlled foreign company (CFC) losses, even if the total of these losses is less than $100,000.

- These instructions are based on the losses provisions, including those relating to consolidated groups contained in Division 707 of the *Income Tax Assessment Act 1997* (ITAA 1997) and modifications to those provisions in relation to MEC groups contained in Division 719 of the ITAA 1997.

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What's new?

Find out what's new for Consolidated groups losses.

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Loss carry back

Loss carry back provides a refundable tax offset that eligible corporate entities can claim in their 2020–21 and 2021–22 Company tax returns.

Eligible entities get the offset by choosing to carry back losses to earlier years in which there were income tax liabilities. The offset effectively represents the tax the eligible entity would save if it was able to deduct the loss in the earlier year using the loss year tax rate. As it is a refundable tax offset, it may result in:

- a cash refund
- a reduced tax liability, or
- a reduction of a debt owing to the ATO.

The eligible entity does not need to amend the earlier income years to claim the offset.

If an entity does not choose to carry back a loss, the loss may be carried forward to use in a later income year. If an entity does choose to carry back some or all of a tax loss, the amount carried back cannot be carried forward to use in a later income year.

- For eligibility criteria and information on how to claim the offset, see **Loss carry back tax offset**.

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Part A Tax losses and net capital losses consolidated – excludes film losses

Information on Part A of the schedule.

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On this page

Do not include tax losses or net capital losses of the complying superannuation class in Part A. Show these losses carried forward to later income years in Part D. Show these losses claimed as a deduction under section 320-141 of the *Income Tax Assessment Act 1997* (ITAA 1997) in *Life insurance companies taxation schedule – consolidated groups*.

1 Tax losses transferred from joining entities (including head company) at consolidation

You only need to complete item 1 if your group consolidated during 2020–21.

- Do not include net capital losses or film losses at item **1.** Show net capital losses transferred from joining entities (including head company) at consolidation at item **6**.
- Do not include tax losses if this item was completed in an earlier income year.
- For the definition of a tax loss, see section 995-1 of the ITAA 1997.
- Do not include tax losses transferred after consolidation; include these losses at item **2**.
- Do not complete item **1** for tax losses transferred from joining entities (including head company) at consolidation if this occurred as a result of a special conversion event as described in subsection 719-120(1).

This item requires information on the amount of tax losses (excluding film losses) transferred from joining entities, including the head company, to the head company at the date the consolidated group has been brought into existence; that is, the date specified in the notice of choice given to the Commissioner of Taxation (Commissioner) – see section 703-50 or section 719-50 (whichever is applicable) of the ITAA 1997.

When an entity joins a consolidated group as a subsidiary member part way through the entity's income year, it must work out its taxable income or tax loss for the period up to the time just before it joins the group.

To the extent that any unused carry forward tax losses of the joining entity satisfy the transfer tests, which are modified versions of the usual tests for deducting tax losses, the unused carry forward tax losses may be transferred to the head company. Broadly, the transfer tests include additional test times (the 'trial year') and take into account certain necessary assumptions to facilitate their use as loss transfer tests, as the loss testing rules are normally only triggered when a loss is claimed. The trial year generally begins 12 months before joining the consolidated group and ends immediately after the joining time (or just before the joining time where the modified business continuity test is applied). In certain circumstances, the trial year may be a period shorter than 12 months. See section 707-120 of the ITAA 1997.

A joining entity is any eligible entity that joins a consolidated group. For details of who can or cannot be members of a consolidated group, see sections 703-15 and 703-20 of the ITAA 1997.

Write the relevant amount of tax losses transferred at consolidation at **A**, **B** or **C**, depending on which loss transfer test has been satisfied.

A Continuity of ownership test losses – companies only

Write at **A** those tax losses that were transferred at consolidation because the continuity of ownership and control tests were satisfied for the ownership test period; that is, from the start of the year when the tax loss was incurred until immediately after the joining time.

For more information on transfer testing and the continuity of ownership and control tests see:

- section 165-12 of the ITAA 1997
- section 165-15 of the ITAA 1997
- Division 707 of the ITAA 1997
- Division 719 of the ITAA 1997.

B Business continuity test losses – companies only

The 'same business test' and the 'similar business test' are collectively referred to as the 'business continuity test'.

Write at **B** those tax losses that were transferred at consolidation where the continuity of ownership and control tests were failed, but the joining company satisfied the business continuity test.

For more information, see:

- section 165-211 of the ITAA 1997
- section 165-13 of the ITAA 1997
- section 165-210 of the ITAA 1997
- Taxation Ruling TR 1999/9 *Income tax: the operation of sections 165-13 and 165-210, paragraph 165-35(b), section 165-126 and section 165-132*
- Taxation Ruling TR 2007/2 *Income tax: application of the same business test to consolidated and MEC groups - principally, the interaction between section 165-210 and section 701-1 of the Income Tax Assessment Act 1997*.
- Law Companion Ruling LCR 2019/1 The business continuity test - carrying on a similar business

For more information on transfer testing and the business continuity test, see Division 707 and Division 719 of the ITAA 1997.

For more information about deducting and carried forward losses, see Losses.

C Other losses – trusts only

Write at **C** those tax losses that were transferred at consolidation from a trust.

See also:

- Schedule 2F to the *Income Tax Assessment Act 1936* (ITAA 1936)
- Trust loss provisions

Example 1

A consolidated group came into existence on 23 July 2020. During the 2020–21 income year, the following tax losses were transferred to the head company from joining entities that passed the loss transfer tests indicated.
Tax losses transferable from joining entities to head company

Tax losses transferable from joining entities to head company

Joining entity	Joining time	Tax loss amount $	Transfer test passed – continuity of ownership	Transfer test passed – business continuity	Tra tes pas – o
Company A	23/07/2020	1,500	Yes	n/a	
Company B	23/07/2020	3,200	No	Yes	
Company C	03/02/2021	4,600	Yes	n/a	
Fixed trust X	23/07/2020	1,800	n/a	n/a	[illegible]
Non-fixed trust Y	23/07/2020	3,100	n/a	n/a	[illegible]

The head company completes part A item 1 on the schedule as follows:

Type of loss	Label	Amount $

Continuity of ownership test losses	**A**	1,500
Business continuity test losses	**B**	3,200
Other losses - trusts only	**C**	4,900

As Company C transferred its continuity of ownership tax losses after consolidation, the amount transferred is written at **D** item **2**.

2 Tax losses transferred from joining entities after consolidation

- Do not include net capital losses or film losses at item **2**.
- Show net capital losses transferred from joining entities after consolidation at item **7**.
- Do not include tax losses transferred at consolidation; include these losses at item **1**.
- Do not include tax losses transferred in an earlier income year.
- For the definition of a tax loss, see section 995-1 of the ITAA 1997.

This item requires information on the amount of tax losses (excluding film losses) transferred from joining entities to the head company **after** the date the consolidated group has been brought into existence; that is, the date specified in the notice of choice given to the Commissioner; see section 703-50 or section 719-50 (whichever is applicable) of the ITAA 1997.

For information about losses transferred by a joining entity, see also Tax losses transferred from joining entities (including head company) at consolidation.

Write the relevant amount of tax losses transferred during the income year at **D**, **E** or **F** depending on which loss transfer test has been satisfied.

D Continuity of ownership test losses – companies only

Write at **D** those tax losses that were transferred after consolidation because the continuity of ownership and control tests were satisfied from the start of the year, when the tax loss was incurred, until immediately after the joining time.

E Business continuity test losses – companies only

The 'same business test' and the 'similar business test' are collectively referred to as the 'business continuity test'. For more information, see LCR 2019/1 *The business continuity test - carrying on a similar business*.

Write at **E** those tax losses that were transferred after consolidation because the continuity of ownership and control tests were failed, but the joining company satisfied the business continuity test.

F Other losses – trusts only

Write at **F** those tax losses that were transferred after consolidation by a trust. For more information on the trust loss legislation, see Schedule 2F to the *Income Tax Assessment Act 1936* (ITAA 1936) and Trust loss provisions.

Example 2

A consolidated group came into existence on 1 July 2020. During 2020–21, the following tax losses were transferred to the head company from joining entities that passed the loss transfer tests indicated.
Tax losses transferable from joining entities to head company

Tax losses transferable from joining entities to head company

Joining entity	Joining time	Tax loss amount $	Transfer test passed – continuity of ownership	Transfer test passed – business continuity	Tra tes pas – o
Company X	01/07/2020	1,800	No	Yes	[illegible]
Company Y	02/07/2020	2,300	No	Yes	[illegible]
Company Z	03/02/2021	7,800	Yes	n/a	[illegible]
Fixed trust A	08/06/2021	1,100	n/a	n/a	[illegible]
Non-fixed trust B	08/06/2021	4,500	n/a	n/a	[illegible]

The head company completes part A item 2 on the schedule as follows:

Type of loss	Label	Amount $
Continuity of ownership test losses	**D**	7,800
Business continuity test losses	**E**	2,300

Other losses - trusts only	**F**	5,600

As Company X's business continuity tax losses were transferred at consolidation, the amount transferred is written at **B** item **1**.

3 Tax losses deducted

- Do not include net capital losses applied or film losses deducted at item **3**.
- Show net capital losses applied at item **8**.
- For the definition of a tax loss, see section 995-1 of the ITAA 1997.

This item requires information on the amount of tax losses deducted (excluding film losses). A head company utilises a tax loss to the extent it is deducted from an amount of the head company's assessable income and net exempt income.

The operation of the continuity of ownership test for transferred losses is modified by Subdivisions 707-B and 719-F of the ITAA 1997 and deduction of transferred tax losses is generally subject to an available fraction which limits the annual rate at which these losses may be recouped by the head company.

For more information on the conditions applying to the continuity of ownership test, see sections 165-12 and 165-15 of the ITAA 1997.

For more information on the business continuity test, see:

- sections 165-13, 165-210 and 165-211 of the ITAA 1997
- Taxation Ruling **TR 1999/9**
- Taxation Ruling **TR 2007/2**
- Law Companion Ruling **LCR 2019/1**

For more information on 'available fraction' and how it is calculated, see Subdivision 707-C and 719-F of the ITAA 1997.

G Group

Write at **G** the amount of group tax losses deducted.

Group tax losses are those tax losses that have been generated by the consolidated group. Group tax losses are effectively deducted before transferred tax losses.

I Transferred

Write at **I** the amount of transferred tax losses deducted.

Transferred tax losses are those tax losses that have been made outside the consolidated group and transferred into the group from an entity when it joined the group. Transferred tax losses deducted on a concessional basis are also included at **I**.

R Total

Write at **R** the total of **G** and **I**.

Transfer this amount to **R Tax losses deducted** item **7** on your *Company tax return 2021*.

4 Transferred tax losses deducted

Do not include transferred tax losses deducted in accordance with the concessional method. The concessional method is relevant for certain losses transferred before 1 July 2004 (see section 707-350 of the IT(TP)A).

- Do not include group tax losses (losses generated by a consolidated group) deducted at item **4**.
- Do not include transferred net capital losses applied or film losses deducted at item **4**.
- Show transferred net capital losses applied at item **9**.
- For the definition of a tax loss, see section 995-1 of the ITAA 1997.

This item requires information on the amount of transferred tax losses deducted, excluding net capital losses and film losses. A head company deducts a transferred tax loss to the extent it is deducted from an amount of the head company's assessable income or exempt income.

Write at **A**, **D**, **G**, **J**, **M** and **P**, as required, the TFNs of those joining entities that had tax losses from their loss bundles deducted by applying the available fraction method. A bundle of losses consists of all the losses of a joining entity that are transferred to the head company at the same time.

If tax losses have been deducted for more than six loss bundles, write the joining entities' TFNs for the six loss bundles that had the largest amounts of tax losses deducted.

Write at **B**, **E**, **H**, **K**, **N** and **Q**, as required, the corresponding available fractions calculated for the loss bundles for joining entities whose TFNs are recorded at **A**, **D**, **G**, **J**, **M** and **P** respectively. Each available fraction is to be completed to three decimal places, for example, 0.475, 0.520, 0.700. However, where rounding to three decimal places would result in an available fraction of nil, consolidated groups are permitted to round the available fraction to the first non-zero digit; see subsection 707-320(4) of the ITAA 1997. Where the available fraction is less than 0.0005, the amount of 0.000 should be written at the relevant label. Where the available fraction is equal to or greater than 0.0005, but less than 0.001, the fraction should be rounded up to 0.001.

For details of how the available fraction is calculated, see Subdivisions 707-C and 719-F of the ITAA 1997. Write at **C**, **F**, **I**, **L**, **O** and **R**, as required, the corresponding amount of transferred tax losses deducted from loss bundles of joining entities whose TFNs are recorded at **A**, **D**, **G**, **J**, **M** and **P** respectively.

If tax losses have been deducted from more than six loss bundles, write the six largest amounts deducted.

5 Tax losses carried forward to later income years

- Do not include net capital losses or film losses carried forward to later income years at item **5**.
- Show net capital losses carried forward to later income years at item **10**.
- For the definition of a tax loss, see section 995-1 of the ITAA 1997.

The head company must keep a record of its tax losses and account for any adjustments, including those made by the ATO. These records must generally be retained for five years after the end of the income year in which the loss was fully deducted.

If required, the head company must be able to demonstrate not only the balance of any tax losses being deducted or carried forward, but also how those tax losses arose and how the company was able to rely on the relevant loss utilisation tests.

If you choose to carry back some or all of your tax losses at **A**, **B** and **C** item **13 Losses information** in the *Company tax return*, this amount cannot be carried forward.

S Group

Write at **S** the amount of group tax losses carried forward to later income years under section 36-17 of the ITAA 1997. Group tax losses are those tax losses that have been generated by the consolidated group. The amount at **S** must be reduced by the amount of any losses carried back at **A**, **B** and **C** at **13 Losses information** in the *Company tax return*.

V Transferred

Write at **V** the amount of transferred tax losses carried forward to later income years under section 36-17 of the ITAA 1997. Transferred tax losses are tax losses that have been made outside the consolidated group and transferred into the group from an entity when it joined the group. Any concessional transferred tax losses carried forward are also included at **V**.

U Total

Write at **U** the total of **S** and **V**.

Transfer this amount to **U** item **13 Tax losses carried forward to later income years** on your *Company tax return 2021*.

The loss wastage rules apply in relation to amounts that are included in **U** item **13** on the Company tax return. For more information on how this amount is calculated, see **Tax losses carried forward to later income years** at **13 Losses Information** in the *Company tax return instructions 2021* (NAT 0669).

6 Net capital losses transferred from joining entities (including head company) at consolidation

You only need to complete item **6** if your group consolidated during 2020–21.

- Do not include tax losses or film losses at item **6**.
- Show tax losses transferred from joining entities (including head company) at consolidation at item **1**.
- Do not include net capital losses transferred after consolidation; include these losses at item **7**.
- Net capital loss has the meaning given by sections 102-10 and 165-114 of the ITAA 1997.
- Do not include net capital losses if this item was completed in an earlier income year.

This item requires information on the amount of net capital losses transferred from joining entities, including the head company, to the head company at the date the consolidated group has been brought into existence, that is, the date specified in the notice of choice given to the Commissioner; see section 703-50 or section 719-50 (whichever is applicable) of the ITAA 1997.

Write the relevant amount of net capital losses transferred at consolidation at **A**, **B** or **C**, depending on which loss transfer test, if any, has been satisfied.

A Continuity of ownership test losses – companies only

Write at **A** those net capital losses that were transferred at consolidation because the continuity of ownership and control tests were satisfied for the ownership test period; that is, from the start of the year when the net capital loss was made until immediately after the joining time; see sections 165-96 and 707-120 of the ITAA 1997.

B Business continuity test losses – companies only

The 'same business test' and the 'similar business test' are collectively referred to as the 'business continuity test'. For more information, see **LCR 2019/1** *The business continuity test - carrying on a similar business*.

Write at **B** those net capital losses that were transferred at consolidation where the continuity of ownership and control tests were failed, but the joining company satisfied the business continuity test.

C Other losses – trusts only

Write at **C** those net capital losses that were transferred at consolidation by a trust.

Example 3

A consolidated group came into existence on 10 March 2021. During 2020–21, the following net capital losses were transferred to the head company from joining entities that passed the loss transfer tests indicated.
Net capital losses transferable from joining entities to head company

Net capital losses transferable from joining entities to head company

Joining entity	Joining time	Net capital loss amount $	Transfer test passed – continuity of ownership	Transfer test passed – business continuity
Company A	10/3/2021	900	No	Yes
Company B	10/3/2021	1,800	Yes	n/a
Company C	9/4/2021	3,200	Yes	n/a
Fixed trust X	10/3/2021	2,400	n/a	n/a
Non-fixed trust Y	10/3/2021	1,100	n/a	n/a

The head company completes item 6 part A on the schedule as follows:

Type of loss	Label	Amount $

Continuity of ownership test losses	**A**	$1,800
Business continuity test losses	**B**	$900
Other losses – trusts only	**C**	$3,500

As Company C's continuity of ownership net capital losses were transferred after consolidation, the amount transferred is written at **D** item **7**.

7 Net capital losses transferred from joining entities after consolidation

- Do not include tax losses or film losses, at item **7**.
- Show tax losses transferred from joining entities after consolidation at item **2**.
- Do not include net capital losses transferred at consolidation; include these losses at item **6**.
- Net capital loss has the meaning given by sections 102-10 and 165-114 of the ITAA 1997.
- Do not include net capital losses transferred in an earlier income year.

This item requires information on the amount of net capital losses transferred from joining entities to the head company **after** the date the consolidated group has been brought into existence; that is, the date specified in the notice of choice given to the Commissioner; see section 703-50 or section 719-50 (whichever is applicable) of the ITAA 1997.

Write the relevant amount of net capital losses transferred during the income year at **D**, **E** or **F**, depending on which loss transfer test, if any, has been satisfied.

D Continuity of ownership test losses – companies only

Write at **D** those net capital losses that were transferred after consolidation because the continuity of ownership and control tests were satisfied from the start of the year when the loss was incurred until immediately after the joining time.

E Business continuity test losses – companies only

The 'same business test' and the 'similar business test' are collectively referred to as the 'business continuity test'. For more information, see LCR 2019/1 *The business continuity test - carrying on a similar business*.

Write at **E** those net capital losses that were transferred after consolidation because the continuity of ownership and control tests were failed, but the joining company satisfied the business continuity test.

F Other losses – trusts only

Write at **F** those net capital losses that were transferred after consolidation by a trust.

Example 4

A consolidated group came into existence on 1 July 2020. During 2020–21, the following net capital losses were transferred to the head company from joining entities that passed the loss transfer tests indicated.
Net capital losses transferable from joining entities to head company

Net capital losses transferable from joining entities to head company

Joining entity	Joining time	Net capital loss amount $	Transfer test passed – Continuity of ownership	Transfer test passed – Business continuity
Company X	1/7/2020	2,500	No	Yes
Company Y	2/7/2020	300	Yes	n/a
Company Z	3/2/2021	4,800	No	Yes
Fixed trust A	8/6/2021	250	n/a	n/a
Non-fixed trust B	8/6/2021	3,200	n/a	n/a

The head company completes item 7 part A on the schedule as follows:

Type of loss	Label	Amount $
Continuity of ownership test losses	**D**	300
Business continuity test losses	**E**	4,800

Other losses – trusts only	**F**	3,450

As Company X's business continuity net capital losses were transferred at consolidation, the amount transferred is written at **B** item **6**.

8 Net capital losses applied

- Do not include tax losses or film losses at item **8**.
- Show tax losses deducted at item **3**.
- Net capital loss has the meaning given by sections 102-10 and 165-114 of the ITAA 1997.
- You may also need to complete a CGT schedule. For more information, see **Guide to capital gains tax 2021** (NAT 4151).

This item requires information on the amount of net capital losses applied. A head company applies a net capital loss to the extent that it is applied to reduce an amount of the head company's capital gains.

Before applying a group net capital loss or a transferred net capital loss, a head company must pass the continuity of ownership and control tests or the business continuity test.

The application of transferred net capital losses is generally subject to an available fraction which limits the annual rate at which these losses may be applied by the head company. For more information on 'available fraction' and its calculation see Subdivisions 707-C and 719-F of the ITAA 1997.

G Group

Write at **G** the amount of group net capital losses applied. Group net capital losses are those net capital losses that have been generated by the consolidated group. Group net capital losses are effectively applied before transferred net capital losses.

I Transferred

Write at **I** the amount of transferred net capital losses applied. Transferred net capital losses are net capital losses that have been made outside the consolidated group and transferred into the group from an entity when it joined the group. Transferred net capital losses applied on a concessional basis are also included at **I**.

J Total

Write at **J** the total of **G** and **I**.

9 Transferred net capital losses applied

- Do not include transferred net capital losses applied in accordance with the concessional method. The concessional method is relevant to certain losses transferred before 1 July 2004 (see section 707-350 of the IT(TP)A).
- Do not include group net capital losses (losses generated by a consolidated group) applied at item **9**.
- Do not include transferred tax losses or film losses deducted at item **9**.
- Show transferred tax losses deducted at item **4**.
- Net capital loss has the meaning given by sections 102-10 and 165-114 of the ITAA 1997.

This item requires information on the amount of transferred net capital losses applied. A head company applies a net capital loss to the extent that it is applied to reduce an amount of the head company's capital gains.

Write at **A**, **D**, **G**, **J**, **M** and **P**, as required, the TFNs of those joining entities that had net capital losses from their loss bundles applied to reduce capital gains using the available fraction method. A bundle of losses consists of all the losses of a joining entity that are transferred to the head company at the same time.

If net capital losses have been applied for more than six loss bundles, write the joining entities' TFNs for the six loss bundles that had the largest amounts of net capital losses applied.

Write at **B**, **E**, **H**, **K**, **N** and **Q**, as required, the corresponding available fractions calculated for the loss bundles for joining entities whose TFNs are recorded at **A**, **D**, **G**, **J**, **M** and **P**, respectively.

Complete each available fraction to three decimal places (for example, 0.475, 0.520, 0.700). However, where rounding to three decimal places would result in an available fraction of nil, consolidated groups are permitted to round the available fraction to the first non-zero digit; see subsection 707-320(4) of the ITAA 1997. Where the available fraction is less than 0.0005, the amount of 0.000 should be written at the relevant item. Where the available fraction is equal to or greater than 0.0005, but less than 0.001, the fraction is rounded up to 0.001.

For more information about the calculation of the available fraction, see Subdivisions 707-C and 719-F of the ITAA 1997.

Write at **C**, **F**, **I**, **L**, **O** and **R**, as required, the corresponding amount of transferred net capital losses applied from loss bundles of joining entities whose TFNs are recorded at **A**, **D**, **G**, **J**, **M** and **P** respectively.

If net capital losses have been applied from more than six loss bundles, write the six largest amounts applied.

10 Net capital losses carried forward to later income years

- Do not include tax losses or film losses carried forward to later income years at item **10**.
- Write tax losses carried forward to later income years at item **5**.
- Net capital loss has the meaning given by sections 102-10 and 165-114 of the ITAA 1997.
- The head company must keep a record of its net capital losses and account for any adjustments including those made by the ATO. These records must be retained for five years after a CGT event has occurred or the losses recouped, whichever is later.
- If required, the head company must be able to demonstrate not only the balance of any net capital losses being applied or carried forward, but also how those net capital losses arose and how the company was able to rely on the relevant loss utilisation tests.

S Group

Write at **S** the amount of group net capital losses carried forward to later income years under section 102-15 of the ITAA 1997. Group net capital losses are those net capital losses that have been generated by the consolidated group.

U Transferred

Write at **U** the amount of transferred net capital losses carried forward to later income years under section 102-15 of the ITAA 1997. Transferred net capital losses are net capital losses that have been made outside the consolidated group and transferred into the group from an entity when it joined the group. Any concessional transferred net capital losses carried forward are also included at **U**.

V Total

Write at **V** the total of **S** and **U**.

Transfer this amount to **V** item **13 Net capital losses carried forward to later income years** on your *Company tax return 2021*.

11 If you completed item 4 or item 9 in part A, were the apportionment rules applied?

You must complete this item if:

- transferred tax losses have been deducted, or
- transferred net capital losses have been applied

from any loss bundle applying the available fraction method.

The use of transferred losses is apportioned if their available fraction applied for only part of the income year or when the available fraction changes during the income year. Apportionment applies if:

- losses in a bundle are transferred to the head company by a subsidiary member that is joining part way through the head company's income year, or
- available fractions are adjusted during the income year. Adjustments to available fractions are required if additional loss bundles are transferred to the head company at a later time or because there has been an injection of capital or a non-arm's length transaction; see subsection 707-320(2) of the ITAA 1997. In these cases, available fractions will have different numerical values for different periods of the income year.

Apportionment in the first case ensures that a subsidiary's losses are only offset against income generated by the group after the subsidiary becomes a member.

Apportionment in the second case ensures that an adjusted available fraction that is less than the previous fraction only applies from the date of the event that triggered the adjustment.

If a consolidated group is formed part way through the head company's income year, the head company's use of its own prior year losses (transferred to itself under Subdivision 707-A of the ITAA 1997 on consolidation) will be unrestricted in respect of income broadly attributable to the pre-consolidation period. This is achieved by treating the losses actually incurred by the head company, which are subsequently transferred to itself at consolidation, as being in a bundle with an available fraction of 1 for the part of the head company's income year that is before the formation of the consolidated group.

For more information, see **section 707-335** of the ITAA 1997.

- Print **X** in the appropriate box at **W**.

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Part B Cancellation of transfer of losses

Information on Part B of the schedule.

Last updated 27 May 2021

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1 Has the head company cancelled the transfer of a loss?

A head company can make a choice to cancel the transfer of a loss of a joining entity. If the choice is made, the loss cannot be used by any entity for an income year ending after the joining time; see sections 707-145 and 707-150 of the ITAA 1997.

Print **X** in the appropriate box at **A**.

If the answer is **Yes**, complete item **2**.

If the answer is **No**, go to **Part C Ownership test and business continuity test**.

2 Details of cancellation of transfer of losses

Write at **B**, **D**, **F** and **H** the TFNs of those joining entities that had transfers of one or more losses cancelled during the income year.

If the transfer of losses was cancelled for more than four joining entities, write the TFNs for only the four joining entities that had the largest total amounts of cancellation of transfer of losses.

- Write at **C**, **E**, **G** and **I**, as required, the total amount of the cancellation of the transfer of one or more losses for joining entities whose TFNs are recorded at **B**, **D**, **F** and **H** respectively.

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Part C Ownership test and business continuity test

Information on Part C of the schedule.

Last updated 27 May 2021

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> [the joining company first failed the continuity of ownership or control tests.]
>
> [2 Amount of losses deducted/applied after consolidation, for which the continuity of ownership test is not passed but the business continuity test is satisfied]
>
> [3 Amount of losses carried forward to later income years for which the business continuity test must be satisfied before they can be deducted/applied]

1 For each joining company that transferred a business continuity test tax loss or business continuity test net capital loss to the head company, determine the income year in which the joining company first failed the continuity of ownership or control tests.

Against each of the listed income years, show the total amount of losses which first failed the continuity of ownership or control tests in that income year.

The 'same business test' and the 'similar business test' are collectively referred to as the 'business continuity test'. For more information, see LCR 2019/1 *The business continuity test - carrying on a similar business*.

- Do not include transferred film losses at item **1**.
- Do not include losses transferred by a joining company that satisfied the continuity of ownership and control transfer tests at item **1**.
- Do not include losses transferred by a joining trust at item **1**.

The aim of item **1** is to find out (in respect of companies that transferred losses to a head company of a consolidated group because a business continuity transfer test was satisfied):

- the period of time between the year of failure of the continuity of ownership or control transfer tests and the trial year, and
- the losses that failed the continuity of ownership or control tests at the joining time and in the trial year.

Year ownership test failed

At the appropriate year, write the total amount of tax losses and net capital losses of joining companies that first failed the continuity of ownership or control tests in the income year, but satisfied the business continuity test. If there is no amount, leave blank.

For 2015–16 and earlier income years, write the total for those years.

Example 5

A consolidated group came into existence on 1 July 2020. During 2020–21 the following joining companies transferred tax losses and net capital losses because they satisfied the business continuity test:
Tax losses and net capital losses transferable from joining entities to head company

Tax losses and net capital losses transferable from joining entities to head company

Joining company	Loss year	Amount $	Type of loss	Year of ownership change
A	2011–12	1,000	Tax	2012–13
A	-	-	-	2017–18
A	2016–17	50	Net capital	2018–19
B	2014–15	350	Tax	2019–20
B	2016–17	400	Net capital	2019–20
C	2014–15	550	Net capital	2016–17

For 2020–21 the head company completes item 1 part C on the schedule as follows:

Year ownership test failed	Label	Amount $
2019–20	**J**	750
2018–19	**K**	50
2017–18	**L**	0

2016–17	**M**	550
2015–16 and earlier income years	**N**	1,000

The amount of the tax loss incurred by Company A ($1,000) is written at **N** because the first change of ownership occurred during 2012–13.

2 Amount of losses deducted/applied after consolidation, for which the continuity of ownership test is not passed but the business continuity test is satisfied

The 'same business test' and the 'similar business test' are collectively referred to as the 'business continuity test'. For more information, see LCR 2019/1 *The business continuity test - carrying on a similar business*.

Do not include film losses deducted at item **2**.

Do not include at item **2** losses deducted or applied for which the head company satisfied the continuity of ownership test. Write at item **2** the amount of tax losses deducted and net capital losses applied during 2020–21 by the head company after consolidation, where the continuity of ownership test was not passed, but the business continuity test was satisfied.

O Tax losses

Write at **O** the amount of tax losses deducted by the head company which did not satisfy the continuity of ownership and control tests, but did satisfy the business continuity test.

P Net capital losses

Write at **P** the amount of net capital losses applied by the head company which did not satisfy the continuity of ownership and control tests, but did satisfy the business continuity test.

Example 6

A consolidated group came into existence on 1 July 2020. On that date the following losses were transferred to the head company from a joining company that satisfied the continuity of ownership and control transfer tests.

Losses transferred from joining company to head company

Year loss incurred	Type of loss	Amount $
2013–14	Tax	1,200
2013–14	Net capital	4,600

During the period from the start of the loss year (1 July 2013) until immediately after the joining time (1 July 2020) there was a 40% change in the persons who controlled the voting power of the head company and had the rights to the company's dividends and capital distributions. The joining company was a 100% owned subsidiary of the head company during this period.

For 2020–21, the consolidated group generates sufficient capital gains and other assessable income to enable the transferred tax and net capital losses to be fully deducted or applied using the available fraction method. On 1 August 2020, there is a further 20% change in the persons who controlled the voting power of the head company and had rights to the company's dividends and capital distributions. The head company does not satisfy the continuity of ownership test because of the change of majority ownership on 1 August 2020; that is, combined ownership changes of 60% (40% + 20%). However, the head company satisfies the business continuity test because the consolidated group carried on the same or similar business during 2020–21 as it did immediately before the change of ownership.

In determining whether a head company can deduct or apply a loss transferred to it from a joining company that passed the continuity of ownership and control tests, changes in ownership of the joining company before it joined the consolidated group are taken into account.

The head company completes item 2 part C on the schedule as follows:

Type of loss	Label	Amount $
Tax losses	**O**	1,200
Net capital losses	**P**	4,600

3 Amount of losses carried forward to later income years for which the business

continuity test must be satisfied before they can be deducted/applied

The 'same business test' and the 'similar business test' are collectively referred to as the 'business continuity test'. For more information, see LCR 2019/1 *The business continuity test – carrying on a similar business*.

- Do not include film losses carried forward at item **3**.
- Do not include at item **3** losses carried forward to later income years for which the head company satisfies the continuity of ownership test.

Write at item **3** the amount of tax losses and net capital losses carried forward to later income years for which the head company must satisfy the business continuity test to deduct or apply these losses.

Q Tax losses

Write at **Q** the amount of tax losses carried forward to later income years for which the head company must satisfy the business continuity test to deduct these losses.

R Net capital losses

Write at **R** the amount of net capital losses carried forward to later income years for which the head company must satisfy the business continuity test to apply these losses.

Example 7

A consolidated group came into existence on 1 July 2020. On that date, tax losses of $2,200 were transferred to the head company from a joining company that satisfied the continuity of ownership and control transfer tests.

For 2020–21, the consolidated group made a group tax loss of $1,700 and a group net capital loss of $3,500, which are carried forward to 2021–22.

There was a change of majority ownership of the head company during 2020–21, but this did not result in the head company joining another consolidated group. The head company must satisfy the business continuity test in later income years to deduct or apply the losses carried forward comprising tax losses of $3,900 ($2,200 + $1,700) and net capital losses of $3,500.

The head company completes item 3 part C on the schedule as follows:

Type of loss	Label	Amount

		$
Tax losses	**Q**	3,900
Net capital losses	**R**	3,500

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Part D Life insurance companies

Information on Part D of the schedule.

Last updated 27 May 2021

On this page

The head company of a consolidated group that has at least one member that is a life insurance company at any time during the income year is taken to be a life insurance company for the purposes of an income tax assessment.

Part D must be completed where the head companies have the following losses carried forward to later income years in the complying superannuation class:

- tax losses, or
- net capital losses.

Do not include tax losses or net capital losses of the complying superannuation class in other parts of the schedule.

Show the tax losses deducted of the complying superannuation class (claimed as a deduction under section 320-141 of the ITAA 1997) in *Life insurance companies taxation schedule*.

T Complying superannuation class tax losses carried forward to later income years

Write at **T** the amount of tax losses carried forward to later income years from the complying superannuation class. This includes prior year tax losses from the complying superannuation class carried forward if they have not been deducted.

A life insurance company has a tax loss of the complying superannuation class for an income year if, in that income year, the company's complying superannuation deductions exceed the sum of the:

- assessable income from the complying superannuation class
- net exempt income that is attributable to the complying superannuation class of assets.

U Complying superannuation net capital losses carried forward to later income years

Write at **U** the amount of net capital losses carried forward to later income years from the complying superannuation class. This includes prior year net capital losses from the complying superannuation class carried forward if they have not been applied.

- A life insurance company has a net capital loss from the complying superannuation class for the income year if, in that income year, the capital losses made from complying superannuation class of assets exceed all capital gains made from complying superannuation class of assets.

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Part E Controlled foreign company losses

Information on Part E of the schedule.

Last updated 27 May 2021

On this page

A CFC is no longer required to quarantine revenue losses into separate classes of notional assessable income. However, CFC losses continue to be quarantined in the CFC that incurred them.

The amounts shown at **N**, **O** and **P** are the totals of the head company's share of losses incurred by CFCs. The head company's share of a loss of a CFC is calculated by applying its attribution percentage in the CFC to the loss of the CFC.

N Current Year CFC Losses

Write at **N** the total amount of the head company's share of current CFC losses for a statutory accounting period that ends in 2020–21.

O CFC losses deducted

Write at **O** the total of the head company's share of CFC losses deducted for a statutory accounting period that ends in 2020–21.

P CFC losses carried forward

Write at **P** the total amount of the head company's share of CFC losses, if any, that is available to be carried forward to statutory accounting periods that end in later income years.

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Part F Tax losses reconciliation for consolidated groups

Information on Part F of the schedule.

Last updated 27 May 2021

On this page

This part requires you to reconcile the company's tax losses brought forward from the prior income year with those tax losses carried forward to later income years.

Do not include net capital losses or film losses at this item.

A Balance of tax losses brought forward from prior income year

Write at **A** the amount of tax losses incurred by the company that have not been utilised and brought forward to 2020–21 under section 36-17 of the ITAA 1997. The balance of losses brought forward from prior income years includes tax losses that have not been utilised remaining within a bundle of losses; that is, tax losses transferred in a prior income year under Subdivision 707-A (including those with a nil available fraction).

Any amount used as a loss carry back in the 2021 Company tax return will be subtracted at **I Tax losses deducted**.

B Uplift of tax losses of designated infrastructure project entities

A company, including the head company of a consolidated group, or a fixed trust that is a designated infrastructure project (DIP) entity in an income year is able to uplift its unutilised tax losses before deducting them. The tax losses are uplifted by the income year's long-term bond rate, which is the year's average yield for 10-year non-rebate Australian Treasury bonds.

To be eligible for the uplift:

- the project that you are undertaking must be designated; and
- you must notify the Commissioner that you are a DIP entity.

For more information, see **Designated infrastructure project entities.**

If the head company is a DIP entity, write at **B** the amount of the uplift of tax losses as determined under Division 415 of the ITAA 1997.

C Tax losses transferred from joining entities under Subdivision 707-A

Write at **C** the amount of tax losses transferred from joining entities to the head company during 2020–21.

Tax losses transferred from joining entities in prior years are included at **A Balance of tax losses brought forward from the prior income year**.

L Transferred tax losses with a nil available fraction that have been applied

Losses transferred to the head company of a consolidated group or a multiple entry consolidated group by a joining entity that is insolvent at the joining time can be utilised by the head company in certain circumstances. If relevant conditions are met, the head company can apply transferred losses with a nil available fraction to reduce a net forgiven amount under the commercial debt forgiveness rules, reduce a capital allowance adjusted under the limited recourse debt rules, and reduce the capital gain that arises under CGT event L5 when the joining entity subsequently leaves the group.

For more information, see **section 707-415** of the ITAA 1997.

Write at **L** the amount of tax losses with a nil available fraction that have been applied to reduce:

- a net forgiven amount under the commercial debt forgiveness rules
- a capital allowance adjusted under the limited recourse debt rules, or
- the capital gain that arises under CGT event L5 when the joining entity subsequently leaves the group.

D Net forgiven amount of debt

Tax losses brought forward and losses transferred from joining entities are reduced by any commercial debt forgiveness amounts, see Division 245 of the ITAA 1997. If a commercial debt owed by the company is forgiven during the income year, apply in the following order the net amount of debts forgiven to reduce the company's deductible revenue losses, net capital losses, certain undeducted revenue or capital expenditure, and the cost bases of CGT assets.

A transferred loss with a nil available fraction can be used in certain circumstances by the head company of a consolidated group to reduce a net forgiven amount under the commercial debt forgiveness rules; see section 707-415 of the ITAA 1997. Do not include these amounts at this item. Include these amounts at item **L**.

Write at **D** the total net forgiven amount applied to reduce tax losses (if any) incurred in years of income before the forgiveness year of income or to reduce tax losses transferred under Subdivision 707-A from joining entities in the current year.

E Tax loss incurred (if any) during current income year

Write at **E** the company's tax loss for 2020–21, disregarding net exempt income and excess franking offsets.

There is a limit on the total of the amount you can deduct in the income year for gifts and contributions, see section 26-55 of the ITAA 1997. Deductions for gifts or contributions allowable under Division 30 of the ITAA 1997 cannot produce or increase a tax loss.

F Tax loss amount from conversion of excess franking offsets

If the company has excess franking offsets, it must convert the excess franking offsets into an amount of tax loss to carry forward to later income years. You convert the amount of excess franking offsets into a tax loss by dividing the excess franking offsets amount by the corporate tax rate.

Write at **F** the amount of this tax loss.

G Net exempt income

Write at **G** the amount of net exempt income for 2020–21 to be taken into account in calculating your tax loss or carried forward tax loss.

H Tax losses cancelled or forgone

Write at **H** the amount of tax losses cancelled under section 719-325 of the ITAA 1997, or any losses that will not be deducted in any later income year.

A company cannot deduct a tax loss unless:

- it has the same owners and the same control throughout the period from the start of the loss year to the end of the income year, or
- it satisfies the business continuity test by carrying on the same business, conducting no new kinds of business and entering into no new kinds of transactions - see Subdivision 165-A of the ITAA 1997.

The 'same business test' and the 'similar business test' are collectively referred to as the 'business continuity test'. For more information, see

LCR 2019/1 *The business continuity test - carrying on a similar business*.

An eligible exploration company who:

- converted certain tax losses into exploration credits under the Exploration Development Incentive or Junior Minerals Exploration Incentive and
- distributed these exploration credits to its shareholders

cannot deduct the converted tax loss. The loss must be cancelled.

I Tax losses deducted

Write at **I** the sum of:

- the tax losses deducted during 2020–21 under section 36-15 or section 36-17 (as applicable) of the ITAA 1997, and
- the total amount of losses carried back (the total amount recorded at **A** to **C** item 13 on the Company tax return) if not already included in the amount deducted under section 36-17 of the ITAA 1997.

J Tax losses transferred out under subdivision 170-A (only for transfers involving a foreign bank branch or a PE of a foreign financial entity)

Write at **J** the amount of tax losses transferred out by the company to group companies under Subdivision 170-A of the ITAA 1997.

K Total tax losses carried forward to later income years

The amount at **K** should be the same as the amount you calculated at **R** in Part A. Write at **K** the total of tax losses carried forward to later income years.

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Taxpayer's declaration

Information on Taxpayer's declaration.

Last updated 27 May 2021

If you do not lodge the schedule with the tax return, you must sign and date the schedule.

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More information

Where you can find more information about Consolidated group losses.

Last updated 27 May 2021

Publications

Publications referred to in these instructions

- **Capital gains tax (CGT) schedule 2021** (NAT 3423)
- **Company tax return instructions 2021** (NAT 0669)
- Taxation Ruling **TR 2007/2** *Income tax: application of the same business test to consolidated and MEC groups – principally, the interaction between section 165-210* and *section 701-1 of the Income Tax Assessment Act 1997*
- **Guide to capital gains tax 2021** (NAT 4151)
- *Income Tax Assessment Act 1936*
- *Income Tax Assessment Act 1997*
- *Income Tax (Transitional Provisions) Act 1997*
- Law companion ruling **LCR 2019/1** *The business continuity test – carrying on a similar business*
- Taxation Ruling **TR 1999/9** *Income tax: the operation of sections 165-13 and 165-210, paragraph 165-35(b), section 165-126 and section 165-132*

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- taxagents.iorder.com.au
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- **Tax agents 13 72 86**
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