Business and professional items

1998 INSTRUCTIONS AND SCHEDULE

TAXPACK

for individual taxpayers with **business income**

Australian Taxation Office

Business and professional items

1998 INSTRUCTIONS AND SCHEDULE

You need to know

If you need to complete item 11 on your tax return, you must fill in the *1998 business and professional items schedule* at the back of this booklet. This booklet will help you to fill in the schedule.

You may also need to read some of the following publications:

Information for primary producers—1998, which includes the primary production worksheet

Guide to depreciation

Taxation Ruling IT 2685—on depreciation

Taxation Ruling TR 93/30—Deductions for home office expenses.

To get these publications, ring Freecall **1800 150 150** between 1 July and 31 October, or visit the Australian Taxation Office (ATO).

If the business or professional items that apply to you are not filled in, your tax return will be sent back to you.

About this publication

This publication is available free of charge from the ATO, which prohibits any party from selling it.

Please get help from the ATO—the general enquiries telephone number is **13 2861**—or a tax adviser if you feel this publication does not fully cover your circumstances.

We regularly revise our publications to take account of changes to the law. As part of our commitment to produce accurate publications, taxpayers will not be subject to penalties if it is demonstrated that a tax claim was based on wrong information contained in our publications.

More you need to know

Government payments

If they are assessable income, include payments received from all government sources at item P6 on your schedule. Examples are:

- export incentive grants
- diesel fuel rebate
- Medicare payments to medical practices
- employee subsidies
- bounties
- drought relief.

Records you need to keep

You must keep records of most transactions, in English, for 5 years after you prepared or obtained them or 5 years after you completed the transactions or acts to which they relate, whichever is the later. *Taxation Ruling TR 96/7* clarifies the record-keeping obligations of small business, particularly for cash transactions. You can purchase this ruling from the Australian Taxation Office (ATO).

The ATO is helping small business operators meet their record-keeping obligations by reviewing their record-keeping practices. These reviews begin with a telephone call or a brief visit to the business premises. The process is explained, you can ask questions and an interview is then arranged for a later date.

Some of the more significant record-keeping problems identified by the ATO are:

- failure to record cash income and expenditure
- failure to account for personal drawings
- failure to record goods for your own use
- failure to keep adequate stock records
- failure to keep adequate records to substantiate motor vehicle claims.

For additional information, please refer to the booklet *A Guide to Keeping Your Business Records*, available from the ATO.

Hobby or business?

It is important to determine whether you are carrying on a business or pursuing a hobby, sport or recreational activity that does not produce income.

In general, you are considered to have a business if the activity:

- has actually commenced
- has a significant commercial purpose or character
- is undertaken in a business-like manner
- results in a profit
- is carried out in a manner that is characteristic of the industry
- has repetition, regularity or continuity
- cannot be more properly described as a hobby.

For additional information, please read the leaflet *Are You in Business?* available from the ATO. Primary producers should also refer to *Taxation Ruling TR 97/11 Income tax: am I carrying on a business of primary production.*

1998 BUSINESS AND PROFESSIONAL ITEMS

WHAT YOU NEED TO KNOW

When you have completed your schedule, you will need to transfer your NET INCOME OR LOSS FROM BUSINESS amounts to item 11 on your tax return.

P1 Description of your main business activity

Describe, as accurately as possible, the business activity from which you derived the most gross income—for example, beef cattle breeder, vegetable grower, clothing manufacturer, confectionery wholesaler or electrical goods retailer. Do not use general descriptions such as farmer, manufacturer or wholesaler.

Print the description of your main business activity at item P1 on your 1998 business and professional items schedule (your schedule).

P2 What is the status of your business?

If you received income from more than one business, *print* X at B1 item P2 on your schedule.

If you ceased your main business during 1997–98, *print* X at B2 item P2 on your schedule.

If you commenced a new business during 1997–98, *print* X at B3 item P2 on your schedule.

Where more than one applies, select the first applicable option. If none of them applies, leave the boxes blank.

P3 What is the name of your main business?

Print the business name of your main business at item P3 on your schedule. The business name does not have to be a registered name.

P4 What is the address of your main business?

Print the street address of the place where most of your business decisions are made at item P4 on your schedule.

Write the postcode of this address at C item P4 on your schedule.

P5 Did you sell any goods or services using the Internet?

You should answer Yes to this question if you have an Internet presence and one or more of the following applies:

- you accept orders for goods and/or services using the Internet OR
- you accept payment for goods and/or services using the Internet OR
- you fulfil orders using the Internet.

You should answer No to this question if you do not have an Internet presence and all of the following apply:

- you do not accept orders using the Internet AND
- you do not accept payment using the Internet AND
- you do not fulfil orders using the Internet.

Terms explained

Internet presence
An Internet presence is any one or more of the following:

- the use of a web page or web site for commercial purposes
- the use of Internet email for commercial purposes
- the use of Internet news groups for commercial purposes.
- the use of any other Internet technology for commercial purposes, such as banner advertising on a web page not maintained by you.

Accept orders through the Internet

Accepting orders through the Internet includes the following:

- receiving orders using a form on a web page
- receiving orders using email
- receiving orders by other means delivered using the Internet.

Note: Orders received by postal mail, facsimile, telephone or in person as a result of advertising using the Internet are not considered to be received using the Internet.

Accept payment using the Internet

Accepting payment using the Internet includes:

- acceptance of electronic cash or similar Internet payment technologies as payment for goods or services
- acceptance of credit card, charge card or other payment card details received using the Internet by means of web page forms, email or other.

Note: Acceptance of payment by credit card, charge card, or other payment card details received by postal mail, facsimile, telephone, or in person are not considered to be acceptance of payment using the Internet. This is regardless of whether the goods or services were offered, ordered or delivered using the Internet.

Fulfil orders using the Internet

Fulfillment of orders using the Internet includes:

- provision of Internet access and related services such as email, web page hosting or web site development
- provision of access to Internet services
- delivery of software or digitised goods such as music and news articles using the Internet—for example, by email, download from a web page or using an FTP site.

Note: Providing digitised goods or software on floppy disk or other medium which are delivered by conventional postal services is not considered to be fulfilling orders using the Internet.

P6 Business income and expenses

Do not include the following income items on your schedule:

- gross interest—show at item 8 on your tax return
- dividends and imputation credits—show at item 9
- income equalisation withdrawals—show at item 12
- net capital gain—show at item 13
- attributed foreign income—show at item 14
- foreign source income—show at item 15
- gross rental or similar income, such as agistment or hire fees—show at item 16.

Business income and expenses are taken from the financial statements used to work out your taxable income and should be shown at the income and expenses labels. Tax adjustments are made in the **Reconciliation items** section of item P6.

Income and expenses are divided into a three column worksheet:

i) The first column is headed *Primary production* and must show relevant amounts from primary production income.
ii) The second column is headed *Non-primary production* and must show relevant amounts from non-primary production income.
iii) The third column is headed *Total* and must show the total of the two previous columns. All items with labels must be completed where appropriate.

BUSINESS INCOME

PART A—Did your business receive prescribed payments system income?

NO ☐ *Go to PART B* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

Gross prescribed payments system (PPS) income is the total amount of PPS income you derived including any amounts of tax deducted. Gross amounts of PPS income are shown on the payment summary form that each of your payers is required to send to you by

14 July each year. When you receive your payment summaries, check that they are correct before totalling the gross amount of payments. If you received a payment and did not receive or have lost the payment summary, contact the payer and ask for a copy.

Do not include distributions of gross PPS income from partnerships or trusts.

Payers are required to report details of prescribed payments made to the Australian Taxation Office (ATO). Payers must also report the amount of tax taken out of these payments. This information is cross-checked with your tax return to ensure that you have declared the correct amount. If you do not declare all your income, or you claim more than the correct amount of tax taken out of these payments, you may have to pay more tax and any penalties applied.

Contractors in these industries may be involved in PPS:

- architectural services
- building and construction
- cleaning
- engineering services
- joinery and cabinet-making services
- motor vehicle repair
- professional building and construction services
- road transport
- surveying services.

Records you need to keep

Do not attach your payment summaries to your schedule. Keep them for 5 years after you prepared or obtained them or 5 years after you completed the transactions or acts to which they relate, whichever is the later. If you held a Deduction Variation Certificate or a Deduction Exemption Certificate during the year, keep it too. The Australian Taxation Office (ATO) may ask you for these records at a later date.

STEP 1

Add up all gross PPS income received by each business.

STEP 2

Write the total amount at **D** item P6 on your schedule. Do not show cents.

PART B—Did your business receive any reportable payments ?

NO ☐ *Go to PART C* **YES** ☐ *Read below*

WHAT YOU NEED TO KNOW

Gross reportable payments system (RPS) income is the total amount of RPS income derived from primary production and non-primary production including any amounts of tax deducted.

Where RPS credits are claimed, the gross income is to be declared in the tax return for the entity that actually derived the income and credits; otherwise it will be considered to be an omission of income and penalties may apply.

RPS applies to certain payments—made in the fishing, clothing, smash repair and, from 1 March 1997, fruit and vegetable industries—which are assessable income of the recipient, the payee.

You may be subject to RPS if you received a payment for taking, catching, selling or supplying fish or for a process in the manufacture of clothing or its preparation prior to sale. Payments that an insurer makes, or is liable to make, to a smash repairer towards the repair of a motor vehicle are reportable.

In the fruit and vegetable industry, reportable payments include payments that traders make for fresh produce sold or supplied for human consumption. You are a trader if one-third of your gross trading income is from the sale of fruit and vegetables.

Payers of reportable payments must report payment details to the ATO annually. This information is cross-checked with your tax return to ensure that the correct amount of income and the correct amount of credit for tax deducted has been declared.

Records you need to keep

Do not attach receipts for tax withheld from reportable payments to your schedule. Keep them for 5 years after you prepared or obtained them or 5 years after you completed the transactions or acts to which they relate, whichever is the later.

STEP 1

Write your gross primary production reportable payments at **E** item P6 on your schedule. Do not show cents.

STEP 2

Write your gross non-primary production reportable payments at **F** item P6 on your schedule. Do not show cents.

STEP 3

Add up your gross primary production and non-primary production reportable payments and *write* the total amount in the *Total* box at P6 on your schedule.

PART C—Did your business have assessable government industry payments?

NO ☐ *Go to PART D* **YES** ☐ *Read below*

WHAT YOU NEED TO KNOW

Include any payments that are assessable income received from government sources that have been paid to you as a consequence of your business activities—for example:

- bounties
- diesel fuel rebate—*Taxation Determination TD 97/25*, available from the ATO, has more information about this rebate
- drought relief
- employee subsidies
- export incentive grants
- Medicare payments to medical practices.

STEP 1

Write your total primary production government industry payments received by each business at **G** item P6 on your schedule. Do not show cents.

STEP 2

If your assessable primary production government industry payments include a diesel fuel rebate, *print* D in the **TYPE** box ☐ to the right of the amount at **G**.

STEP 3

Write your total non-primary production government industry payments received by each business at **H** item P6 on your schedule. Do not show cents.

STEP 4

If your assessable non-primary production government industry payments include a diesel fuel rebate, *print* D in the **TYPE** box ☐ to the right of the amount at **H**.

STEP 5

Add up your primary production and non-primary production government industry payments and *write* the total amount in the *Total* box at P6 on your schedule.

PART D—Did your business receive any other income?

NO ☐ *Go to PART E* **YES** ☐ *Read below*

WHAT YOU NEED TO KNOW

Show at this label other business income including gross sales of trading stock, goods taken for own use from stock, gross earnings from services, bad debts recovered, profit on sale of depreciable assets, royalties, insurance recoveries, subsidies, employee contributions for fringe benefits and non-assessable government assistance from all sources.

This amount excludes amounts shown at **D** to **H**.

STEP 1

Write the total amount of other primary production business income or loss at **I** item P6 on your schedule. Do not show cents.

STEP 2

If you made a loss, *print* L in the small box ☐ to the right of the amount at **I**.

STEP 3

Write the total amount of other non-primary production business income or loss at **J** item P6 on your schedule. Do not show cents.

STEP 4

If you made a loss, *print* L in the small box ☐ to the right of the amount at **J**.

STEP 5

Add up your other primary production and non-primary production income or loss and *write* the total amount in the *Total* box at P6 on your schedule.

STEP 6

If you made a loss, *print* L in the small box ☐ to the right of the *Total* box.

PART E—Working out your total business income

STEP 1

Add up the primary production amounts shown at **E**, **G** and **I** item P6 on your schedule. *Write* the total amount in the **TOTAL BUSINESS INCOME,** *Primary production* box.

STEP 2

If you made a loss, *write* **L** in the small box ☐ to the right of the **TOTAL BUSINESS INCOME,** *Primary production* box.

STEP 3

Add up the non-primary production amounts shown at **D**, **F**, **H** and **J** item P6 on your schedule. *Write* the total amount in the **TOTAL BUSINESS INCOME,** *Non-primary production* box.

STEP 4

If you made a loss, *print* **L** in the small box ☐ to the right of the **TOTAL BUSINESS INCOME,** *Non-primary production* box.

STEP 5

Add up the amounts in the **TOTAL BUSINESS INCOME,** *Primary production* and *Non-primary production* boxes and *write* the total in the **TOTAL BUSINESS INCOME** box under *Total*. If you made a loss, *print* L in the small box ☐ to the right of the *Total* box.

BUSINESS EXPENSES

Do not include the following expense items on your schedule:

- interest and dividend expenses—claim deductible expenses at item D6
- income equalisation deposits—take them into account as required at item 12
- rental expenses—claim deductible expenses at item 16
- expenses and losses relating to foreign source income—take them into account as required at item 15.

This section is divided into 3 columns on your schedule—*Primary production, Non-primary production* and *Total*. You need to complete all items that relate to your business or businesses. You can deduct business expenses if the expenses were necessary to carry on your business for the purpose of earning income. You must keep your business expenses records for 5 years after you prepared or obtained them or 5 years after you completed the transactions or acts to which they relate, whichever is the later.

PART A—What is the value of your opening stock?

WHAT YOU NEED TO KNOW

This is the total value of all trading stock on hand at the beginning of the year. The opening value of an item of stock must equal its closing value in the previous year.

Include motor vehicle floor plan stock and work in progress of manufactured goods. Exclude any amounts representing opening stock of a business which commenced operations during the year. Include the purchase costs of these items in the relevant 'Purchases and other costs' box.

If you are a primary producer, you must add the value of your opening stock from your livestock account at label P2 on your primary production worksheet to the value of your opening stock from your produce account at label P7 on your primary production worksheet.

STEP 1

Work out the value of your primary production opening stock. If you have more than one business, *add up* all your primary production opening stock values.

STEP 2

Write the total value of your primary production opening stock in 'Opening stock', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 3

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

STEP 4

Write the total value of your non-primary production opening stock in 'Opening stock', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 5
Add up your primary production and non-primary production opening stock and *write* the total value at **K** item P6 on your schedule.

PART B—What is the value of your purchases and other costs?

This represents the cost of direct materials used for the manufacture, sale or exchange in deriving the gross proceeds or earnings of the business. It includes inwards freight. 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, do **not** include this component in 'Contractor, sub-contractor and commission expenses'.

STEP 1
Work out the value of your primary production purchases and other costs. 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 in 'Purchases and other costs', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 3
Work out the value of your non-primary production purchases and other costs. 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 in 'Purchases and other costs', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 5
Add up your primary production and non-primary production purchases and other costs and *write* the total value at **L** item P6 on your schedule.

PART C—What is the value of your closing stock?

WHAT YOU NEED TO KNOW

This is the total value of all trading stock on hand at the end of the year.

Trading stock is anything you have on hand which you produced, manufactured, acquired or purchased 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 once removed from the sheep.

Manufacturers must include as trading stock partly manufactured goods and materials on hand. For more details about what constitutes trading stock, contact the Australian Taxation Office (ATO).

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

- cost
- market selling value
- replacement price.

Where the value of the trading stock is less than the value you worked out using the method you have elected, due to obsolescence or other special circumstances, you must notify the ATO that you have elected to use the lower valuation. To do this, *print* Y in the box at item P14 'Trading stock election' on your schedule.

You may use different methods for 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 are a primary producer, you must add the value of your closing stock from your livestock account at label P1 on your primary production worksheet to the value of your closing stock from your produce account at label P6 on your primary production worksheet.

You cannot reduce the value of stock on hand by creating reserves to offset future depreciation, diminution of the value of stock, or any other factors. Keep records showing how each item was valued.

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 in 'Closing stock', *Primary production* column, item P6 on your schedule. Do not 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 in 'Closing stock', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 5

Add up your primary production and non-primary production closing stock and *write* the total value at M item P6 on your schedule.

STEP 6

From the list below, find 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 price

STEP 7

Print the letter in the **TYPE** box ☐ to the right of the amount at M item P6 on your schedule.

PART D—Working out your cost of sales

WHAT YOU NEED TO KNOW

Goods taken for your own use should not be accounted for as stock on hand at 30 June 1998. Include the cost of goods taken for your own use at the 'Other business income' labels item P6 on your schedule.

STEP 1

Use the following table to work out your cost of sales.

COST OF SALES

		Primary production	*Non-primary production*
Stock at 1 July 1997	(a)	$	$
Purchases at cost	(b)	$	$
Freight inwards	(c)	$	$
Other (e.g. labour and services)	(d)	$	$
Add (a), (b), (c) and (d)	(e)	$	$
Stock at 30 June 1998	(f)	$	$
Take (f) away from (e) **This is your cost of sales.**		$	$

For further information on stock on hand at 1 July 1997, *read* **PART A—What is the value of your opening stock?** For information on stock on hand at 30 June 1998, read **PART C—What is the value of your closing stock?**

STEP 2

Write your total primary production cost of sales in 'Cost of sales', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 3

If the cost of sales in the primary production column — after taking (f) away from (e)—is a negative amount, *print* L in the small box ☐ to the right of this amount.

STEP 4

Write your total non-primary production cost of sales in 'Cost of sales', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 5

If the cost of sales in the non-primary production column—after taking (f) away from (e)—is a negative amount, *print* L in the small box ☐ to the right of this amount.

STEP 6

Add up your primary production and non-primary production cost of sales and *write* the total amount in 'Cost of sales', *Total* column, item P6 on your schedule.

STEP 7

If your total cost of sales is a negative amount, *print* L in the small box ☐ to the right of the *Total* column.

PART E—Did your business have any contractor, sub-contractor or commission expenses?

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

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

NO ☐ *Go to PART F* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

Do not include the following at this item:

- 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'.

STEP 1

Write your total primary production contractor, sub-contractor and commission expenses in 'Contractor, sub-contractor and commission expenses', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 2

Write your total non-primary production contractor, sub-contractor and commission expenses in 'Contractor, sub-contractor and commission expenses', *Non-primary production* column, item P6 on your schedule. Do not show cents.

Add up your primary production and non-primary production contractor, sub-contractor and commission expenses and *write* the total amount at **F** item P6 on your schedule.

PART F—Did your business make any superannuation contributions on behalf of eligible employees or their dependants?

NO ☐ *Go to PART G* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

Show superannuation expenses for the year of income. Employers can claim a deduction for contributions made to a superannuation, provident, benefit or retirement fund, Superannuation Holding Accounts Reserve (SHAR) or retirement savings account (RSA) for the benefit of eligible employees or, on the employee's death, for the benefit of the employee's dependants. The purpose of the contributions must be to provide for individual personal benefits, pensions or retirement allowances. A deduction is allowable in the year of income in which the contributions were made.

The deduction is allowable whether or not the fund is a complying fund, and is entitled to concessional tax treatment. However, contributions made to a non-complying fund do not count toward Superannuation Guarantee obligations. Superannuation Guarantee charges are not tax deductible.

Contributions paid by an employer for eligible employees to a non-complying superannuation fund are tax deductible and are not subject to the limits specified below. However, these contributions are fringe benefits and may be subject to tax under the *Fringe Benefits Tax Assessment Act 1986.*

An employer contributing to a resident complying superannuation fund in respect of eligible employees may claim a deduction based on the age of each relevant employee.

For the year ended 30 June 1998 these limits are as follows:

EMPLOYEE'S DEDUCTION LIMIT

Age in years	*Deduction limit*
under 35	$10 232
35 to 49	$28 420
50 and over	$70 482

The employee's age limit is determined at the end of the last day in the year of income when the employer or associate of the employer made a contribution for the benefit of the employee.

Employer contributions paid to the Superannuation Holding Accounts Reserve are allowable deductions up to a limit of $1200 per employee.

STEP 1
Write your total primary production superannuation contributions in 'Superannuation expenses', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 2
Write your total non-primary production superannuation contributions in 'Superannuation expenses', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 3
Add up your primary production and non-primary production superannuation contributions and *write* the total amount at **G** item P6 on your schedule.

▶ PART G—Did your business write off any bad debts?

NO ☐ *Go to PART H* **YES** ☐ *Read below*

WHAT YOU NEED TO KNOW

Include income from the recovery of bad debts at **I** 'Other business income', *Primary production* column or at **J** 'Other business income', *Non-primary production* column, item P6 on your schedule. Do not show cents.

You are not allowed a deduction for bad debts unless you have previously included the amount of the bad debt in your assessable income or it is for money you lent in the ordinary course of a money lending business carried on by you.

Do not include accounting provisions for doubtful debts at this label. They can be shown under **Business income and expenses** at 'All other expenses' then added back at **Reconciliation items.**

Before you can claim a bad debt, it must be bad and not merely doubtful. The deduction will depend upon the facts in each case and, where applicable, the action taken for recovery. *Taxation Ruling TR 92/18*, which is available from the Australian Taxation Office (ATO), has more information on bad debts.

You can claim a deduction for:

- partial debt write-offs—where only part of a debt is bad and is written off, you may claim a deduction for the amount written off
- losses incurred in debt-for-equity swaps for debt written off after 26 February 1992.

You are allowed a deduction for the difference between the amount of the debt and the greater of the market value of the equity or the value at which the equity is recorded in your books at the time of issue.

Where a taxpayer is not in the business of lending money, the deduction is limited to the amount of the debt that has been included in assessable income.

Records you need to keep
Keep a statement for all debtors whose bad debts you wrote off during the year, showing:

- their name and address
- the amount of the debt
- the reason why the debt is regarded as bad
- the year that the amount was returned as income.

STEP 1
Write your total amount of primary production bad debts in 'Bad debts', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 2
Write your total amount of non-primary production bad debts in 'Bad debts', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 3
Add up the amounts of your primary production and non-primary production bad debts and *write* the total amount at **I** item P6 on your schedule.

▶ PART H—Did your business have lease expenses?

NO ☐ *Go to PART I* **YES** ☐ *Read below*

WHAT YOU NEED TO KNOW

This is expenditure incurred through both financial and operating leases on leasing motor vehicle, plant and equipment. Do not include the cost of leasing real estate.

Luxury car leasing

A leased car, either new or second hand, is a luxury car when its cost exceeds the luxury car depreciation limit that applies for the financial year in which a new or renegotiated lease commences. The luxury car depreciation limit for the 1997–98 year is $55 134. New rules apply to luxury car leases, other than genuine short-term hire arrangements.

Under these rules, the lessee is treated as the owner of the luxury car and is therefore entitled to claim a depreciation deduction limited to the luxury car depreciation limit. The actual lease payments made by the lessee for luxury cars will no longer be allowable deductions although they are taken into account to calculate any deductible amounts. These deductions are calculated under the rules by dividing the lease payments into their underlying capital component and their finance charge component (accrual amount). As a result, a lessee will be entitled to a deduction for:

- the accrual amount reduced to reflect non-business use and
- depreciation based on the luxury car depreciation limit applicable in the year of income reduced to reflect non-business use.

As a result of the application of these rules the effect of the depreciation limit on the after-tax cost of a leased luxury car to its end user will be comparable to the effect of the limit on the after-tax cost of buying or otherwise financing the car.

Taxpayers should be aware that the rules set out different outcomes for the lessee if a lease expires, is terminated at the end of the lease or is terminated before the end of the lease. In each of these circumstances, outcomes may again be different where a lease term is extended or a lease is renewed and the lessee buys the car or the lessee ceases to have a right to use the car. Two of the different outcomes are demonstrated in the following examples.

Should the luxury car revert to the lessor because the term is not extended, the lease is not renewed and no amount is paid to the lessor, the rules treat the return of the car as a disposal by way of a sale by the lessee. In this case, the depreciation balancing charge provisions may need to be considered to determine any assessable or deductible amount for the lessee.

Should a lessee acquire the car, and an amount be paid by or on behalf of the lessee to acquire the car, a deduction is not allowable to the lessee and the lessee will continue to be the owner of the car until it is disposed of. However subdivision 20-B of the *Income Tax Assessment Act 1997* may bring into assessable income at the time of disposal certain profits made on disposal of the previously leased car.

Records you need to keep

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

STEP 1

Write your total primary production lease expenses in 'Lease expenses', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 2

Write your total non-primary production lease expenses in 'Lease expenses', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 3

Add up your primary production and non-primary production lease expenses and *write* the total amount at **J** item P6 on your schedule.

PART I—Did your business have rent expenses?

NO ☐ *Go to PART J* **YES** ☐ *Read below*

WHAT YOU NEED TO KNOW

This is expenditure you incurred as a tenant for rental of land and buildings used in the production of income. Include the cost of leasing real estate.

STEP 1

Write your total primary production rent expenses in 'Rent expenses', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 2

Write your total non-primary production rent expenses in 'Rent expenses', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 3

Add up your primary production and non-primary production rent expenses and *write* the total amount at **K** item P6 on your schedule.

PART J—Did your business incur interest expenses on money borrowed within Australia?

NO ☐ *Go to PART K* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

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

Do not include interest expenses incurred in deriving rental income. Claim these expenses at item 16 on your tax return.

STEP 1

Write your total primary production interest expenses within Australia in 'Interest expenses within Australia', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 2

Write your total non-primary production interest expenses within Australia in 'Interest expenses within Australia', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 3

Add up your primary production and non-primary production interest expenses within Australia and *write* the total amount at **Q** item P6 on your schedule.

PART K—Did your business have overseas interest expenses?

NO ☐ *Go to PART L* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

Include any interest incurred on money borrowed from overseas sources to acquire income-producing assets used in your business, to finance business operations or to meet current business expenses.

Do not include interest expenses incurred in deriving rental income. Claim these expenses at item 16 on your tax return.

If you paid or credited any interest, or amounts in the nature of interest, to a non-resident of Australia, you will need to provide additional information. *Print* SCHEDULE OF ADDITIONAL INFORMATION—ITEM 11 on the top of a separate piece of paper. An amount of tax—withholding tax—generally is required to be deducted from interest paid or payable to non-residents, and sent to the Australian Taxation Office. Show the total amounts paid or credited to each non-resident and whether withholding tax was deducted. If no withholding tax was deducted, please state the reason for this. Include your name, address and tax file number. *Print* **X** in the **YES** box at *Taxpayer's declaration* question 2a on your tax return. *Sign* and *attach* your schedule to page 9 of your tax return.

STEP 1

Write your total primary production overseas interest expenses in 'Interest expenses overseas', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 2

Write your total non-primary production overseas interest expenses in 'Interest expenses overseas', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 3

Add up your primary production and non-primary production overseas interest expenses and *write* the total amount at **R** item P6 on your schedule.

PART L—Did your business have depreciation expenses?

NO ☐ *Go to PART M* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

You are allowed a deduction for depreciation if you owned plant and equipment during 1997–98 and used it to produce your assessable income or you installed it ready for use but held it in reserve.

You will need to read the *Guide to depreciation* and *Taxation Ruling IT 2685* on depreciation. To get these publications, ring Freecall **1800 150 150** between 1 July and 31 October, or visit the Australian Taxation Office.

You show at this item the depreciation claimed in your books of account. This amount should not include profit on sale of depreciable assets as negative depreciation or loss on the sale of fixed assets. Profit on the sale of depreciable assets should be included as 'Other business income' at **I** for primary production assets and **J** for non-primary production assets. Loss on sale of depreciable assets should be included in 'All other expenses' at **P**.

Tax depreciation may differ from accounts or book depreciation. The reconciliation between accounts and tax depreciation is included at 'Other reconciliation adjustments' at **X**. See **PART D—Working out your reconciliation adjustment** on page 17 for information on tax depreciation.

STEP 1

Write your total primary production depreciation expenses in 'Depreciation expenses', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 2

Write your total non-primary production depreciation expenses in 'Depreciation expenses', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 3

Add up your primary production and non-primary production depreciation expenses and *write* the total amount at **M** item P6 on your schedule.

PART M—Did your business have motor vehicle expenses?

NO ☐ *Go to PART N* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

Items D1 and D2 of *TaxPack 98* tell you more about the expenses you can claim.

Do not include depreciation, finance leasing charges or interest paid. These should be included at **M** 'Depreciation expenses', **J** 'Lease expenses', **Q** 'Interest expenses within Australia' and **R** 'Interest expenses overseas'.

STEP 1

Write your total primary production motor vehicle expenses in 'Motor vehicle expenses', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 2

Write your total non-primary production motor vehicle expenses in 'Motor vehicle expenses', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 3

Add up your primary production and non-primary production motor vehicle expenses and *write* the total amount at **N** item P6 on your schedule.

STEP 4

If you are claiming motor vehicle expenses for a car under one of the four methods described at question D1 in *TaxPack 98, find* the code letter that identifies the method you used to work out your expenses and *print* it in the **TYPE** box ☐ to the right of the amount at **N** item P6 on your schedule.

If you are claiming motor vehicle expenses other than for a car—see question D2 in *TaxPack 98*—*print* the code letter N in the **TYPE** box ☐ to the right of the amount at **N** item P6 on your schedule.

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

PART N—Did your business have repairs and maintenance expenses?

NO ☐ *Go to PART O* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

This is expenditure incurred for repairs and maintenance of premises, plant, machinery, implements, utensils, rolling stock or articles associated with the production of income. Any items of a capital nature should be included at **X** 'Other reconciliation adjustments', item P6 on your schedule.

Repairs

You may deduct the cost of repairs—not being expenditure of a capital nature—to property, plant, machinery or equipment used 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—for example, where the property is also used for private purposes or in the production of exempt income—is deductible only to the extent that is reasonable, taking account of such use.

Where items are newly acquired, including by way of a legacy or gift, the cost of repairs to defects in existence at the time of acquisition is generally of a capital nature. Expenditure incurred in making alterations, additions or improvements is of a capital nature and is not deductible.

For further information on deductions for repairs, refer to *Taxation Ruling TR 97/23*.

Records you need to keep

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

STEP 1

Write your total primary production repairs and maintenance expenses in 'Repairs and maintenance', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 2

Write your total non-primary production repairs and maintenance expenses in 'Repairs and maintenance', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 3

Add up your primary production and non-primary production repairs and maintenance expenses and *write* the total amount at **O** item P6 on your schedule.

PART O—Did your business have any other expenses?

NO ☐ *Go to PART P* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

This is the total of all other expenses you incurred in deriving your operating profit or loss and which you have not already included elsewhere at item P6. Other expenses include wages, accounting and professional fees, advertising and office supplies.

Home office expenses

If part of your home is specifically set aside 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—includes rent, mortgage interest, rates and house and contents insurance
- running expenses—includes 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 part of your home is used as a home office but it does not qualify as a place of business, only part of the additional running expenses you incur may be deductible. For further details, refer to *Taxation Ruling TR 93/30 —Deductions for home office expenses*. To get a copy of this ruling, ring Freecall **1800 150 150** between 1 July and 31 October, or visit the Australian Taxation Office.

Capital and other non-deductible items included at this label should also be included at **X** item P6 on your schedule. See **Part D—Working out your reconciliation adjustment** on page 17 for more information.

STEP 1
Write your total other primary production expenses in 'All other expenses', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 2
Write your total other non-primary production expenses in 'All other expenses', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 3
Add up your other primary production and other non-primary production expenses and *write* the total amount at **P** item P6 on your schedule.

▶ PART P—Working out your total expenses

STEP 1
Add up all the primary production expenses you have written in the *Primary production* column, down to and including 'All other expenses', and *write* the total at **S** item P6 on your schedule. Do not show cents.

STEP 2
If your total of primary production expenses is a negative amount, *print* L in the small box ☐ to the right of this amount.

STEP 3
Add up all your non-primary production expenses you have written in the *Non-primary production* column, down to and including 'All other expenses', and *write* the total at **T** item P6 on your schedule. Do not show cents.

STEP 4
If your total of non-primary production expenses is a negative amount, *print* L in the small box ☐ to the right of this amount.

STEP 5
Add up your primary production and non-primary production expenses and *write* the total amount in the **TOTAL EXPENSES** box, *Total* column, item P6 on your schedule.

STEP 6
If your total of expenses is a negative amount, *write* L in the small box ☐ to the right of the *Total* column.

RECONCILIATION ITEMS

▶ PART A—Are you entitled to claim a drought investment allowance?

NO ☐ *Go to PART B* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

You can claim 10 per cent of the cost of new property to fight the effects of drought.

The most that you can claim is $5000 even if your expenditure is greater than $50 000.

Drought mitigation property consists of:

- fodder storage facilities for livestock feed
- water storage facilities—for example, dams and tanks—approved by a Federal, State or Territory authority for primary industry or by an approved farm water resource consultant
- water transport facilities—for example, pumps, pipes and bore pipes—with similar approval—but not vehicular water tankers
- minimum tillage equipment.

The main conditions are:

- capital expenditure on acquiring the property is incurred, or construction of the property begins, after 23 March 1995 and before 1 July 2000
- the deduction is allowable for the year when the property is first used or installed ready for use
- the cost of each item of such property must be at least $3000.

You cannot claim for drought investment allowance if a deduction in respect of the capital expenditure is allowable under any of the following provisions:

- section 70A of the *Income Tax Assessment Act 1936*—mains electricity connection expenses
- section 73B of the *Income Tax Assessment Act 1936*—research and development expenditure
- subsection 42-165(2) of the *Income Tax Assessment Act 1997*—100 per cent depreciation
- section 330-15 of the *Income Tax Assessment Act 1997*—exploration or prospecting for minerals (including petroleum) or quarrying materials expenditure.

Loss of deduction

You cannot claim a deduction if within 12 months of first using the property, or installing it ready for use, you:

- dispose of or lose it, or it is destroyed
- lease it, hire it under a hire purchase agreement, or otherwise grant another person a right to use it
- use it outside Australia, or for a non-income producing purpose.

You are also not entitled to the deduction if, after 12 months of first using the property or installing it ready for use, you:

- dispose of it
- lease it, hire it under a hire purchase agreement, or otherwise grant another person a right to use it
- use it outside Australia, or for a non-income-producing purpose

and you intended from the time you acquired or constructed the property to do so.

If you recoup an amount in respect of expenditure for which you have claimed drought investment allowance, the amount of the recoupment is included in your assessable income for the year in which you receive the recoupment.

STEP 1

Work out 10 per cent of the capital cost of acquiring or constructing qualifying new items of property.

STEP 2

Write your total primary production drought investment allowance in 'Drought investment allowance', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 3

Write your total non-primary production drought investment allowance in 'Drought investment allowance', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 4

Add up your primary production and non-primary production drought investment allowances and *write* the total amount at **U** item P6 on your schedule.

PART B—Did your business have environment protection or environmental impact study expenses?

NO ☐ *Go to PART C* **YES** ☐ *Read below*

WHAT YOU NEED TO KNOW

Show at this label the amount of allowable environment protection expenditure and environmental impact expenditure.

Environment protection expenses

A deduction is available for expenditure incurred in carrying on an eligible environment protection activity. Generally, this is expenditure incurred on or after 19 August 1992 for the sole or main purpose of:

- preventing, combating or rectifying pollution of the environment or
- treating, cleaning up, removing or storing waste.

You can claim a deduction if pollution or waste has resulted, or is likely to result, from an income-producing activity, or is on the site or proposed site of that activity. You may also claim a deduction for cleaning up a site on which a predecessor carried on substantially the same business activity.

The deduction is not available for:

- bonds and security deposits
- the cost of depreciable expenditure on plant
- the cost of acquiring land
- the capital cost of constructing or altering buildings, structures or structural improvements.

Repairs to plant or equipment used in an eligible environment protection activity will be deductible in the year of income in which the cost is incurred. However, where the replacement amounts to an improvement to the plant or equipment, it will be depreciable at the relevant rate.

Expenditure on an environment protection project that is also environmental impact expenditure will not be eligible environment protection expenditure. Instead, it will be deductible over the lesser of 10 years or the life of the project.

If you receive, or become entitled to receive, a grant or recoupment for expenses incurred on eligible environment protection activities, you can claim a deduction for this expenditure only if the grant is included in your assessable income. A recoupment of the expenditure that you have claimed as a deduction is included in your assessable income for the year in which you receive the recoupment.

Where the deduction arises from a non-arm's length transaction and the amount of the expenditure is not reasonable, the deduction will be limited to the amount which would have been incurred had the parties been dealing at arm's length.

Expenditure incurred on or after 19 August 1992 on an eligible environment protection earthwork can be written off, under the provisions for income-producing buildings, at the rate of 2.5 per cent per annum. This deduction is available provided the earthwork can be economically maintained in reasonably good order and condition for an indefinite period and the earthwork is not integral to the construction of a building.

Environmental impact study expenses

Costs incurred on or after 12 March 1991 for evaluating the environmental impact of an income-producing project can be written off. The period for write-off shall be the lesser of:

- 10 years; or
- the life of the project to which the evaluation relates.

Note the following points:

- the cost of depreciable plant or articles used for environmental impact studies are not written off under this deduction, but are written off under the ordinary depreciation provisions
- where the cost of an environmental impact study is allowable under any other provision, the deduction is allowable under that provision—for example, mining and quarrying companies can claim an outright deduction for many environmental impact studies under the exploration or prospecting provisions
- the deduction cannot be transferred to another taxpayer if the project to which the study relates is sold or ceases. The deduction remains with the taxpayer who incurs the expenses
- the deduction will be reduced by any grant or recoupment that the taxpayer receives or is entitled to receive, where that grant or recoupment is not included in the taxpayer's assessable income
- where the deduction arises from a non-arm's length transaction and the amount of the expenditure is not reasonable, the deduction will be limited to the amount which would have been incurred had the parties been dealing at arm's length.

STEP 1

Write your total primary production environment protection and environmental impact study expenses in 'Environment protection expenses', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 2

Write your total non-primary production environment protection and environmental impact study expenses in 'Environment protection expenses', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 3

Add up your primary production and non-primary production environment protection and environmental impact study expenses and *write* the total amount at **V** item P6 on your schedule.

PART C—Did your business have landcare operations or water conservation expenses?

NO ☐ *Go to PART D* **YES** ☐ *Read below*

WHAT YOU NEED TO KNOW

Landcare operations expenses

Landcare operations expenses were previously referred to as land degradation expenses. A deduction can be claimed for capital expenditure on landcare operations for:

- land that you use for a primary production business, or
- rural land that you use for business (except a business of mining or quarrying).

Reduce your deduction to a reasonable amount where you used the land, after incurring the expenditure, only partly for carrying on an eligible business.

Subdivision 20-A of the *Income Tax Assessment Act 1997* will apply to any recoupment of the expenditure.

Water conservation expenses

A deduction can be claimed by primary producers for capital expenditure on water storage and farm reticulation systems. The deduction is allowed over three years—one-third of the expenditure is deductible in the income year in which it is incurred, one-third in the next year and one-third in the year after that.

The deduction applies to capital expenditure on the construction, acquisition or installation of plant, or a structural improvement for the purpose of conserving or conveying water for use in carrying on a business of primary production. Items covered include dams, earth tanks, underground tanks, concrete or metal tanks, tank stands, bores, wells, irrigation channels or similar improvements, pipes, pumps, water towers and windmills.

Reduce your deduction to a reasonable amount where the eligible item was not wholly for use either:

- in carrying on a primary production business on land in Australia or
- for the purpose of producing assessable income.

Subdivision 20-A of the *Income Tax Assessment Act 1997* will apply to any recoupment of the expenditure.

For further information, read the leaflet *Information for primary producers—1998*. To get this publication, ring Freecall **1800 150 150** between 1 July and 31 October, or visit the Australian Taxation Office.

STEP 1

Write the deductible amount of any landcare operations expenses and water conservation expenses in 'Landcare operations and water conservation expenses', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 2

Write the amount of any non-primary production landcare operations expenses in 'Landcare operations and water conservation expenses', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 3

Add up your primary production and non-primary production landcare operations and water conservation deductible amounts and *write* the total amount at **W** item P6 on your schedule.

PART D—Working out your reconciliation adjustment

This adjustment reconciles your business operating profit or loss with the business taxable income.

Do not complete 'Other reconciliation adjustments' if all the amounts you have written at **D** 'Gross PPS income' to **W** item P6 are assessable income or allowable tax deductions for income tax purposes.

If you have included amounts such as exempt income, capital and other non-deductible expenses, you must work out your reconciliation adjustment account.

If you have not included any of these amounts, go to **PART E—Working out your net income or loss from business** on page 19.

Depreciation deducted

Tax depreciation is based on the cost of owning the machinery, equipment and facilities used to produce assessable income or held in reserve ready for that purpose.

Where the cost is $300 or less or its effective life is less than three years, the full amount of the cost may be claimed as an outright deduction.

The tax deductible amount may be different to the book or accounting depreciation expense. Accounting and tax depreciation rates differ and the Act provides alternative tax treatments for assessable adjustments (profits) on disposal of depreciable assets. Written down values may also need to be reduced where debt forgiveness is applicable.

The RECONCILIATION STATEMENT on page 19 includes 'Depreciation charged in accounts' and 'Depreciation deductible for tax purposes' sections. Accounts or book depreciation is also included at **M** 'Depreciation expenses' in the **Expenses** part of item P6.

For further information about depreciation, refer to *Guide to depreciation*, which is available from the Australian Taxation Office.

Profits and losses on disposal of depreciable assets

The tax loss on disposal of depreciable assets may differ from the loss on sale of depreciable assets included in the accounts.

The RECONCILIATION STATEMENT includes 'Tax loss on disposal of depreciable assets' and 'Loss on sale of fixed assets included in accounts' sections. 'Loss on sale of fixed assets' is also included at **P** in the **Expenses** part of item P6.

The profit on sale of depreciable assets included in the accounts may differ from the amount of depreciation recouped to be returned as assessable income. For tax purposes, there are alternative treatments provided for assessable adjustments on sale of depreciable assets.

The RECONCILIATION STATEMENT includes 'Depreciation recouped on disposal of assets' and 'Profit on sale of fixed assets included in accounts' sections. 'Profit on sale of fixed assets included in accounts' is also included at labels **I** and **J** in the 'Other business income' part of item P6.

For further information about depreciation, refer to *Guide to depreciation*, which is available from the Australian Taxation Office.

STEP 1

Fill in the RECONCILIATION STATEMENT on page 19.

STEP 2

Write your total primary production reconciliation adjustment in 'Other reconciliation adjustments', *Primary production* column, item P6 on your schedule. Do not show cents.

STEP 3

If your total primary production reconciliation adjustment is a negative amount, *print* L in the small box ☐ to the right of this amount.

STEP 4

Write your total non-primary production reconciliation adjustment in 'Other reconciliation adjustments', *Non-primary production* column, item P6 on your schedule. Do not show cents.

STEP 5

If your total non-primary production reconciliation adjustment is a negative amount, *print* L in the small box ☐ to the right of this amount.

STEP 6

Add up your primary production and non-primary production reconciliation adjustments and *write* the total amount at **X** item P6 on your schedule.

STEP 7

If your total reconciliation adjustment is a negative amount, *print* L in the small box ☐ to the right of the amount at **X**.

RECONCILIATION STATEMENT

			Primary production		Non-primary production	
Net income or loss as per your profit and loss statement (PLS)		(a)	$	/☐	$	/☐
Additions	Assessable business income not included in PLS	(b)	$		$	
	Depreciation charged in accounts	(c)	$		$	
	Depreciation recouped on disposal of assets	(d)	$		$	
	Loss on sale of fixed assets included in accounts	(e)	$		$	
	Items not allowable as deductions:					
	– capital expenditure	(f)	$		$	
	– additions to provisions and reserves	(g)	$		$	
	– other items—including income tax	(h)	$		$	
	Subtotal—*add* all amounts from (b) to (h)	(i)	$		$	
Subtractions	Net exempt income—gross exempt income less non-capital expenses in gaining that income	(j)	$		$	
	Depreciation deductible for tax purposes	(k)	$		$	
	Profit on sale of fixed assets included in accounts	(l)	$		$	
	Tax loss on disposal of depreciable assets	(m)	$		$	
	Deductible items not included in the PLS	(n)	$		$	
	Subtotal—*add* all amounts from (j) to (n)	(o)	$		$	
	Reconciliation adjustment—*take* (o) away from (i)		$	/☐	$	/☐

▶ PART E—Working out your net income or loss from business

STEP 1

Work out your primary production and non-primary production income or loss separately by using the following tables. If any of the amounts is a loss, *write* L in the small box ☐ to the right of the amount.

WORKING OUT YOUR NET INCOME OR LOSS FROM PRIMARY PRODUCTION BUSINESS

Write your primary production total business income shown in **TOTAL BUSINESS INCOME** box, *Primary production* column, item P6 — (a) $ ______ / ☐

Write your total primary production business expenses from **S** item P6 — (b) $ ______ / ☐

Write the total of any primary production drought investment allowance, environment protection expenses, landcare operations and water conservation expenses — (c) $ ______

Add the amount at (b) to the amount at (c) — (d) $ ______ / ☐

Take the amount at (d) from the amount at (a) — (e) $ ______ / ☐

If the amount at (d) is more than the amount at (a), the amount at (e) is a loss

Write any primary production reconciliation adjustment — (f) $ ______ / ☐

Add the amount at (f) to the amount at (e) — (g) $ ______ / ☐

This is your **net income or loss** from primary production business

Note: If the amount at (e) is a loss, the examples on the bottom of the page will help you to work out your net loss from primary production business.

WORKING OUT YOUR NET INCOME OR LOSS FROM NON-PRIMARY PRODUCTION BUSINESS

Write your non-primary production total business income shown in the **TOTAL BUSINESS INCOME** box, *Non-primary production* column, item P6 — (h) $ ______ / ☐

Write your total non-primary production business expenses from **T** item P6 — (i) $ ______ / ☐

Write the total of any non-primary production drought investment allowance, environment protection expenses, landcare operations and water conservation expenses — (j) $ ______

Add the amount at (i) to the amount at (j) — (k) $ ______ / ☐

Take the amount at (k) from the amount at (h) — (l) $ ______ / ☐

If the amount at (k) is more than the amount at (h), the amount at (l) is a loss.

Write any non-primary production reconciliation adjustment — (m) $ ______ / ☐

Add the amount at (m) to the amount at (l) — (n) $ ______ / ☐

This is your **net income or loss** from non-primary production business

Note: If the amount at (l) is a loss, the examples below will help you to work out your net loss from non-primary production business.

Examples

If the amount at (e) is a $5000 loss and the amount at (f) is $7000, the net income of the business is $2000.

If the amount at (e) is a $5000 loss and the amount at (f) is $2000, the net loss of the business is $3000.

If the amount at (l) is a $5000 loss and the amount at (m) is a $4000 loss, the net loss of the business is $9000.

STEP 2

Write the amount of your net income or loss from your primary production business at **Y** item P6 on your schedule. Do not show cents. If you made a net loss from primary production business, *write* L in the small box ☐ to the right of this amount.

STEP 3

Write the amount of your net income or loss from your non-primary production business at **Z** item P6 on your schedule. Do not show cents. If you made a net loss from non-primary production business, *write* L in the small box ☐ to the right of this amount.

STEP 4

Add up your primary production and non-primary production net income or loss from business and *write* the total amount in the **NET INCOME OR LOSS FROM BUSINESS** box, *Total* column, item P6 on your schedule.

If you made a net loss from your business, *write* L in the small box ☐ to the right of this amount.

Make sure the amounts you write at **Y** and **Z** are the same as the amounts you have written at **B** and **C** item 11 on your tax return.

OTHER BUSINESS AND PROFESSIONAL ITEMS—ITEMS P7 TO P14

You need to fill in all items relating to your business expenses. If you have more than one business, you must add the figures for all businesses, irrespective of whether they are primary or non-primary production, and write only one figure at each item.

If you are a primary producer, you will need your primary production worksheet to work out some of the following items, The worksheet is on page 4 of the leaflet *Information for primary producers—1998.*

P7 Did your business have any trade debtors?

NO ☐ *Go to Item P8* **YES** ☐ *Read below*

WHAT 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 1997–98, that is, current trade and other debtors.

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 amount owing from trade and other debtors at **E** item P7 on your schedule. Do not show cents.

P8 Did your business have any trade creditors?

NO ☐ *Go to Item P9* **YES** ☐ *Read below*

WHAT YOU NEED TO KNOW

This is the total amount owed by the business at the end of the year for goods and services provided during 1997–98, that is, current trade and other creditors.

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 amount owing to trade and other creditors at **F** item P8 on your schedule. Do not show cents.

P9 Did your business have salary and wage expenses?

NO ☐ *Go to Item P10* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

Salaries and 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 domestic assistance—usually are deductible. However, you cannot be an employee of your business. Payments to you of salaries—in reality an allocation of profits prior to general distribution—are not allowable deductions in calculating your income or loss.

A deduction will only be allowed for a payment made or a liability incurred by you to an associated person if it is incurred in the production of assessable income and the Commissioner is satisfied that it is reasonable in amount.

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, and workers compensation paid through the payroll. Also include direct and indirect labour, holiday pay, locums, long service leave, lump sum payments, other employee benefits, overtime, payments under an incentive or profit sharing scheme, retiring allowances and sick pay. Include any salary and wage paid to associated people both here and at **H** item P10. Exclude agency fees, contract payments, sub-contract payments, service fees, superannuation, reimbursements or allowances for travel, wages or salaries reimbursed under a government program, management and consultant fees. The group tax reconciliation for the year of income will normally provide the information required at this label.

STEP 1

Add up total salary and wage expenses from each business.

STEP 2

Write this amount at **G** item P9 on your schedule. Do not show cents.

STEP 3

Select from the list below the letter that matches the description of the expense component where the salary and wage expenses have been wholly or predominantly reported.

C All included in the expense component 'Cost of sales'

A All included in the expense component 'All other expenses'

B Included in both the expense components 'Cost of sales' and 'All other expenses'

O Other than 'Cost of sales' and/or 'All other expenses'.

STEP 4

Print the letter in the **TYPE** box at the right of the amount of salary and wage expenses at item P9 on your schedule.

P10 Did your business make any payments to associated persons?

NO ☐ *Go to Item P11* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

These are amounts, including salaries, wages, commissions, or allowances paid to associated persons or domestics. Associated persons include relatives and partners in a partnership you are in. Amounts of salaries and wages paid to associated persons should also be included at **G** item P9.

Record retention

Records to be maintained include:

- full name of associated person or domestic
- relationship
- age, if under 18
- nature of duties performed
- hours worked
- total remuneration
- salaries, wages claimed as deductions
- other amounts paid—for example, retiring gratuities, bonuses and commissions. Excessive remuneration paid to an associated person may not be deductible.

STEP 1
Add up payments made to associated persons from each business.

STEP 2
Write the amount at **H** item P10 on your schedule. Do not show cents.

P11 Did your business purchase any depreciable assets?

NO ☐ *Go to Item P12* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

Include the value, for income tax depreciation purposes, of all depreciable assets brought into use and first depreciated during the income year for producing assessable income. The value to be shown is the cost of the depreciable assets less adjustments made, such as those made under section 42-285 of the *Income Tax Assessment Act 1997*. Exclude purchases of buildings and also assets used to produce exempt income.

STEP 1
Add up the value of all depreciable assets purchased by each business.

STEP 2
Write the amount at **I** item P11 on your schedule. Do not show cents.

P12 Were any depreciable assets sold, lost or destroyed?

NO ☐ *Go to Item P13* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

Include the value of each depreciable asset sold, lost or destroyed during the income year. The value shown is to be the lesser of the written down value at the date of disposal or the amount received. If these amounts are the same, show that amount.

Exclude sales of buildings and also assets used to produce exempt income.

STEP 1
Add up the value of all depreciable assets sold, lost or destroyed by each business.

STEP 2
Write the amount at **J** item P12 on your schedule. Do not show cents.

P13 Prescribed payments system (PPS) income—net of expenses

NO ☐ *Go to Item P14* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

This is gross income from PPS activities undertaken net of expenses. PPS credits should not be included in this calculation. Do not include distributions of gross PPS income or expenses from partnerships or trusts.

STEP 1
Add up the total of all gross income from PPS activities undertaken net of expenses.

STEP 2
Write the amount at **K** item P13 on your schedule. Do not show cents.

P14 Have you made a trading stock election?

NO ☐ *Go to CHECK THAT YOU HAVE below* YES ☐ *Read below*

WHAT YOU NEED TO KNOW

If you have valued trading stock on hand at the end of the year of income at an amount that is less than the lowest amount available using one of the valuation methods at **PART M—Did your business have motor vehicle expenses?** on page 12, then the Commissioner must be notified. This should be done by printing Y for Yes at this item.

CHECK THAT YOU HAVE

- written the correct amount on the schedule for each item that applies to you
- written the same amounts in the primary and non-primary production boxes at item 11 on your tax return as you have written in the **NET INCOME OR LOSS FROM BUSINESS** boxes in the primary and non-primary production columns, item P6 on your schedule
- kept records to prove your claims, where required
- signed and dated your schedule on page 1.

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