Australian Taxation Office
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Partnership and trust tax returns instructions

What's new?

- Business tax reform
- Capital gains tax
  – changes
  – worksheets
- General interest charge
- Income tax deductions for GST-related expenditure

Foreword

This publication is to assist in the completion of the *Partnership tax return 2000* and the *Trust tax return 2000* . This is NOT a guide to the income tax law. More detailed information is available in other publications.

Please get help from any tax office or a professional tax practitioner if you feel this publication does not fully cover your circumstances.

As part of our commitment to producing accurate publications, a taxpayer will not be subject to penalties if it is demonstrated that a tax claim is based on wrong information contained in this publication. However, interest could be payable depending on the circumstances of each case.

Contents

What's new?

Legislative changes

The following highlights legislative developments affecting income taxation of partnerships and trusts that occurred in the last year. These developments reflect the changes to the law up to the date of printing. Changes were made to the income tax law in relation to:

Business tax reform

The first of the business tax reforms under the *New Business Tax System* that affect the preparation of 1999–2000 tax returns have also been introduced. These measures change the income tax law in relation to:

Capital gains tax

Taxation Laws Amendment Bill (No. 11) 1999, if enacted by Parliament as introduced, will correct unintended consequences made by the rewrite of the CGT provisions from the *Income Tax Assessment Act 1936* (ITAA 1936) into the *Income Tax Assessment Act 1997* (ITAA 1997) by the Tax Law Improvement Project. The corrections will apply to assessments for the 1998–1999 and later income years and are the second instalment of corrections after those contained in *Taxation Laws Amendment Act (No. 4) 1999* (TLAA (No. 4) 1999).

Taxation Laws Amendment Act (No. 2) 2000 (TLAA (No. 2) 2000), which received Royal Assent on 31 May 2000 amends the Controlled Foreign Company (CFC) measures in ITAA 1936 to give effect to the Treasurer's announcement in the 1997–1998 Budget to rectify anomalies in the interaction of the CFC measures and the CGT provisions. The Act

- ensures that capital gains made on tainted assets, deemed to be disposed of after the amendment to the measures on 13 May 1997 when a company leaves the wholly owned group, are included in the attributable income of Australia resident controllers
- enables those tainted capital gains to be taken into account when applying the active income test
- prevents taxpayers deliberately avoiding taxation of those capital gains by using schemes or arrangements intended to dilute the Australian taxpayer's attribution percentage in the CFC holding tainted assets that have previously received CGT roll-over relief
- amends the cost base rules with application to the 1999–2000 and later income years to provide that expenditure does not form part of the cost base of any CGT asset to the extent that it is a bribe to a foreign public official
- implements the Government's response to the report on philanthropy in Australia by the Business and Community Partnerships Working Group on Taxation Reform by providing a CGT exemption for testamentary gifts of property made to gift deductible organisations and for gifts of property made under the Cultural Gifts Program on or after 1 July 1999. Anti-avoidance provisions will apply if the property is reacquired for less than market value.

TLAA (No. 4) 1999, which received Royal Assent on 16 July 1999, inserted a rewrite of the CGT rules about:

- CGT asset register entries that eliminate the need for business taxpayers to keep source documents after 5 years and
- exempting reimbursements or payments of expenses under the M4/M5 Cashback Scheme for tolls paid on the M4 and M5 toll roads.

TLAA (No. 4) 1999 also corrected the first round of unintended consequences made by the rewrite of ITAA 1936 CGT provisions into ITAA 1997 by the Tax Law Improvement Project by:

- amending the CGT provisions so as to provide that public entities—such as listed public companies, publicly traded unit trusts and mutual insurance organisations—with pre-CGT assets at 30 June 1999, and thereafter at 5 yearly intervals or if there is abnormal trading, must satisfy the Commissioner of Taxation (Commissioner) that they have maintained continuity of majority underlying ownership. If continuity is lost, any pre-CGT assets are treated as post CGT assets and
- amending Division 20 of Part IIIA of ITAA 1936 to remove the Commissioner's power to disregard the notional holder rule which public entities may use to calculate the majority underlying interests in their assets.

Deductible expenditure and cost base

For most GST assets acquired after 7.30p.m. Australian Eastern Standard Time (AEST), 13 May 1997, the cost base is reduced by the amount of any expenditure that is deductible. The cost base is not reduced if the deduction is reversed by an amount being included in the taxpayer's assessable income or that would be included apart from a provision of ITAA 1936 or ITAA 1997 which provides relief from including a balancing charge in the taxpayer's assessable income.

If the taxpayer acquired land or a building before 7.30p.m. AEST, 13 May 1997 but incurred expenditure after that time, which section 160P of ITAA 1936 would have treated as a separate asset from the land or building, the cost base is not reduced by the amount of deductible expenditure as long as the taxpayer incurred the expenditure before 1 July 1999. An example is land acquired before 7.30p.m. AEST, 13 May 1997 where expenditure is incurred before 1 July 1999 on construction on the land of a rental property.

The cost base is also reduced where the taxpayer claims a heritage conservation rebate, or landcare and water facility tax offset—rather than a tax deduction—for expenditure incurred on or after 12 November 1998.

These changes to the law are contained in *Taxation Laws Amendment Act (No. 1) 1999* (TLAA (No. 1) 1999) which received Royal Assent on 9 April 1999.

Demutualisation of mutual entities other than insurance companies

The *Taxation Laws Amendment (Demutualisation of Non-Insurance Mutual Entities) Act 1999*, which received Royal Assent on 16 July 1999, introduced a generic taxation framework applying to demutualisations of mutual non-insurance organisations completed on or after 12 May 1998. Features of the new framework include:

- its application to a demutualisation that occurs under one of 3 specified methods
- a requirement that the interests of members in the mutual organisation be extinguished in exchange for ordinary shares
- a need for broad continuity of beneficial interest to be maintained
- the deferral of any CGT liability until the disposal of the demutualisation shares or interests in them and
- the establishing, for CGT purposes, of the date and cost of acquisition of shares acquired by former members as part of the demutualisation process.

Depreciation of plant previously owned by an exempt entity

Division 58 of ITAA 1997 sets out special rules that apply in calculating depreciation deductions and balancing adjustments in respect of plant previously owned by an exempt entity if the plant:

- continues to be owned by that entity after the entity becomes taxable or
- is acquired from that entity, in connection with the acquisition of a business, by a purchaser that is a taxable entity.

The measures apply to entity sales and asset sales that occur on or after 4 August 1997.

Distributions made through chains of trusts

As part of its tax reform package, The New Tax System, the Government announced that trustees of closely held trusts with trustee beneficiaries presently entitled to net income or tax preferred amounts—non-assessable income and capital—are required to disclose to the Commissioner the identity of ultimate beneficiaries presently entitled to net income and tax-preferred amounts. These requirements apply to present entitlements created after 4.00p.m. AEST, 13 August 1998 and are contained in Division 6D of ITAA 1936.

Where the trustee of a closely held trust does not correctly identify the ultimate beneficiaries of the net income within the required period, tax—referred to as ultimate beneficiary non-disclosure tax—is imposed on that part of the net income of the trust at the rate of 48.5 per cent. Where the trustee does not disclose the ultimate beneficiaries of tax-preferred amounts, tax is not imposed, but the trustee may be guilty of an offence under the *Taxation Administration Act 1953* (TAA 1953).

To ease compliance for affected trustees, *Taxation Laws Amendment Act (No. 5) 2000* which received Royal assent on 3 May 2000 contains certain amendments that:

- allow extensions of time for lodgment of ultimate beneficiary statements in circumstances where the Commissioner permits
- allow ultimate beneficiary statements to be amended in certain circumstances and
- provide trustees of closely held trusts with the right to seek damages in respect of ultimate beneficiary tax they paid—including any additional tax or penalty—from ultimate beneficiaries, trustee beneficiaries or interposed trustees or partnerships in certain circumstances.

Trustees of closely held trusts with trustee beneficiaries presently entitled to a share of net income or tax-preferred amounts are required to complete an *Ultimate beneficiary schedule*. Instructions on how to complete the schedule are given on the form. To find out how to get a copy see the inside back cover.

For more information about Division 6D or assistance in completing the Schedule, phone the Trust helpline on **1800 634 725**.

Family trust and interposed entity elections

Under the existing transitional rule in Schedule 1 to the *Taxation Laws Amendment (Trust Loss and Other Deductions) Act 1998* (Trust Loss Act), the deadline for making family trust and interposed entity elections for the 1996–1997 and 1997–1998 income years is the time for lodging the 1997–1998 tax returns which has already passed. Under section 272-85 of Schedule 2F to ITAA 1936, the deadline for making elections for the 1998–1999 income year is the time for lodging the 1998–1999 tax return which has also passed. TLAA (No. 8) 1999 amends Schedule 1 of Trust Loss Act to allow an extended period for making elections. This will enable elections to be made for:

- the family trust concessional tracing rule that applies to companies and
- the franking credit trading measures.

The transitional provisions contained in TLAA (No. 8) 1999 will extend the deadlines to:

- allow a trustee of a non-fixed trust which holds an interest in a company that can benefit from the family trust concession, to make a family trust election for the 1996–1997, 1997–1998 and 1998–1999 income years (refer to subitem 22A(1) of Schedule 1 to Trust Loss Act) and
- allow a trustee of a non-fixed trust which receives a franked dividend or a distribution attributable to a franked dividend in the 1997–1998 or 1998–1999 income year to make a family trust election (refer to subitem 22A(2) of Schedule 1 to Trust Loss Act).

Parallel rules will also allow companies that wish to be a member of the same family group to have interposed entity elections in place for the same income years (refer to subitems 23A(2) to (4) of Schedule 1 to Trust Loss Act).

For more detailed instructions concerning completion and lodgment of the *Family trust election and/or family trust revocation 2000* and the *Interposed entity election 2000* see **Interposed entity election status** for partnerships on page 21 and **Family trust/interposed entity election status** for trusts on page 26.

Film Licensed Investment Company deductions

Under subdivision 375-H of ITAA 1997, eligible taxpayers are able to claim the payment for shares, in the income year in which the shares are fully paid and issued, for a company which has been granted a license to raise concessional capital under the *Film Licensed Investment Company Act 1998*. Deductions are not available for shares issued after 30 June 2000.

Franking credit trading measures

The measures announced by the Government in the 1997–1998 Budget to prevent trading in franking credits are now law. These amendments are set out in Schedules 4 and 5 to *Taxation Laws Amendment Act (No. 2) 1999* (TLAA (No. 2) 1999) and include:

- limiting the source of franking credits available for trading by providing that franked dividends paid by companies that effectively are wholly owned by non-resident shareholders or tax exempt shareholders will only give franking benefits to shareholders in limited circumstances
- quarantining the franking surpluses of companies which were formerly effectively wholly owned by non-resident shareholders or tax exempt shareholders. This rule applies from 7.30p.m. AEST, 13 May 1997 subject to certain transitional rules (refer to section 160AQCNI of ITAA 1936)
- the 45 day holding period rule, denying franking credits and the inter-corporate dividend rebate on dividends paid on shares, or on partnership or trust distributions, where the taxpayer acquires the shares or interests in shares and then disposes of them or equivalent shares or interests without first holding them for at least 45 days—or 90 days in the case of preference shares—not counting the day of acquisition or disposal. The rule is applied on a 'last in first out' (LIFO) basis, and wholly owned company groups are treated in some circumstances as if they were one taxpayer (refer to section 160APHI of ITAA 1936). In counting the number of days for which shares or interests in shares are held, any day on which the taxpayer did not have at least 30 per cent of the risks of loss and opportunities for gain associated with the shares is disregarded.

  As an alternative to complying with the 45 day holding period rule, certain taxpayers including superannuation funds, approved deposit funds, pooled superannuation trusts and the statutory funds of life assurance companies can elect to have a franking rebate ceiling applied by reference to franking rebates on a benchmark portfolio. Certain investment vehicles primarily held by such taxpayers are also included. Other types of taxpayers may be added to these by regulation (refer to sections 160APHR of ITAA 1936 and 160APHS of ITAA 1936).

  The 45 day holding period rule applies to shares and interests in shares acquired on or after 1 July 1997, unless the company had become contractually obliged to acquire the shares before 7.30p.m. AEST, 13 May 1997. Beneficiaries of trusts, other than family trusts and deceased estate trusts, will not be entitled to franking credits or the intercorporate dividend rebate from shares acquired by the trust after 3.00p.m. Australian Eastern Daylight Time (AEDT), 31 December 1997, (other than shares which the trustee was contractually obliged to acquire before that time, certain bonus shares, and certain shares distributed in specie by another partnership or trust) unless they hold a sufficient fixed interest in their proportionate interest in the shares that exposes them to at least 30 per cent of the risks and opportunities of owning the shares
- the related payments rule, preventing shareholders receiving a franking or intercorporate dividend rebate from dividends paid on shares, or distributions from an interest in shares, if they are not carrying the economic risks and benefits of share ownership and they—or an associate—are under an obligation to make a related payment. This rule applies to arrangements entered into on or after 7.30p.m. AEST, 13 May 1997 and
- the general anti-avoidance rule against franking credit trading and streaming where one of the purposes—other than an incidental purpose—is to obtain a tax advantage in relation to franking credits. This rule applies to dividends or distributions paid after 7.30p.m. AEST, 13 May 1997, under certain arrangements having the requisite purpose.

General interest charge

On 1 July 1999, the penalty arrangements for late payment and other obligations were rationalised and simplified under the *Taxation Laws Amendment Act (No. 3) 1999*.

This has been done by the introduction of a uniform, tax deductible general interest charge (GIC). The GIC is a penalty that is levied on outstanding amounts due to the Australian Taxation Office (ATO).

Section 8AAD of TAA 1953 determines the rate of the charge. It is based on the relevant 13 week Treasury Note rate plus 8 percentage points. The daily rate can be calculated by dividing this sum by the number of days in a calendar year. In the 1999–2000 income year, the daily compounding rate will only apply to the:

- Pay-As-You-Earn (PAYE) system
- Prescribed Payments System (PPS)
- Reportable Payments System (RPS) and
- Sales Tax.

In all other taxes, the Commissioner will exercise his discretion to apply an annual simple interest rate. The GIC is updated quarterly.

Quarter	GIC annual rate (simple interest)	GIC daily rate (compounding)
Jul–Sep 1999	12.72%	0.0348493%
Oct–Dec 1999	12.73%	0.0348767%
Jan–Mar 2000	13.08%	0.0357377%
Apr–Jun 2000	13.65%	0.037295081%

GST components excluded from income and deductions

In accordance with the *New Tax System (Goods and Services Transition) Act 1999*, GST may be payable on income derived before 1 July 2000, and input tax credit entitlements may arise in relation to outgoings incurred before that date.

If an entity is not registered or not entitled to claim input tax credits, the entity will claim the GST inclusive amount incurred on outgoings.

The following rules only apply if you are registered for GST purposes:

- for income tax purposes, GST will be excluded from assessable income, exempt income and from amounts received or receivable that are taken into account in calculating income and deductions
- outgoings will be reduced by the amount of input tax credit entitlement.

If you have paid or collected any GST prior to 1 July 2000, these amounts are included on your first *Business Activity Statement*.

GST Direct Assistance Certificate

To assist in the implementation of GST, a $200 Direct Assistance Certificate is provided to entities that have a turnover of less than $10 million and register for the GST before 31 May 2000. The face value of a GST Direct Assistance Certificate ($200) will not be assessable income of a recipient. Legislation to ensure these certificates will be exempt from income tax is scheduled to be introduced into Parliament in the *Taxation Laws Amendment Bill (No. 6) 2000*.

The certificate can be used to purchase:

- computer hardware and software products prior to 30 June 2000
- training services, and financial or accounting advice prior to 31 October 2000

that may assist in preparing for the GST.

A number of suppliers of these products have been registered and approved by the GST Start-Up Assistance Office for this purpose.

A partnership or trust which incurs expenditure that is deductible under section 8-1 of ITAA 1997 and uses the certificate to meet the whole or part of the expenditure, can claim a deduction for the whole of the expenditure. The deduction is NOT reduced by the amount of the certificate because you have incurred the expenditure and are using the certificate to pay the whole or part of the amount due. For example, if a partnership or trust obtains professional advice for which an adviser charges $400 and you pay the amount owing with a cheque for $200 and the certificate, you are entitled to a deduction of $400.

If a partnership or trust uses the certificate to pay for computer hardware or software to be used for the purposes of producing assessable income, you are entitled to a deduction for depreciation. The amount of the deduction is based on the cost of the item which is generally the cost of the item to you. Using the certificate to pay for the item will not affect the cost of the item. For example, if a partnership or trust buys a computer for $2000 and pays for it with a certificate for $200 and cash of $1800, the cost of the item to you is $2000 and depreciation will be calculated on that amount.

For more information refer to *Taxation Determination TD 2000/18*. To find out how to get a copy see the inside back cover.

Note: New measures may affect the amount of depreciation expenses relating to GST-related expenditure—see **What's new?** on page 6.

Hire purchase and limited recourse finance arrangements

Proposed Divisions 240 and 243 to ITAA 1997 which will amend the income tax law to rectify an anomaly in the capital allowance provisions in relation to property acquired under hire purchase or limited recourse finance arrangements are contained in *Taxation Laws Amendment Bill (No. 5) 1999*.

The broad impact of these amendments is to:

1. treat hire purchase and instalment sales as the equivalent of a sale of property by the financier/hire purchase company (the notional seller) to the hire purchaser (the notional buyer), financed by a loan from the notional seller to the notional buyer, at a sale price of either the agreed cost or value, or the property's arm's length value. The effect of this treatment under proposed Division 240 of ITAA 1997, which will apply to relevant transactions entered into after 27 February 1998, will be to:
   - **a.** for the notional seller—include in assessable income the profit on sale, (including on-sale after re-acquisition), as well as the finance component of payments made under the arrangement. The financier notional seller will not be treated as the owner of the property for taxation purposes and
   - **b.** for the notional buyer—to be treated as the owner for taxation purposes in circumstances where they are reasonably likely to acquire the property. They will be eligible to claim capital allowances, as well as a deduction, where the property is used for income producing purposes, for the finance component of the actual payments under the arrangement. The actual payments under a hire purchase agreement are not deductible. Deductions for allowable capital expenditure, for example plant allowances, will be limited to the total amounts actually expended by a taxpayer. The new provisions ensure that sections 51AD and 57AF, and Division 16D of ITAA 1936 can apply to the notional buyer as deemed owner
2. ensure that owners of property who transfer title to property by way of security under a chattel mortgage or other charge over the property, will continue to be treated as owners for the purposes of capital allowances. These owners will be deemed to be the owners for the purposes of section 51AD and Division 16D of ITAA 1936. This measure applies to relevant transactions entered into after 27 February 1998
3. ensure that deductions for capital allowances will not exceed the actual capital expenditure where that expenditure is financed by limited recourse debt (including hire purchase). The proposed provision, Division 243, would apply where:
   - **a.** the limited recourse debt used wholly or partly to finance or re-finance the capital expenditure is terminated and
   - **b.** deductions for capital allowances are claimed on that capital expenditure, then where:
   - the limited recourse debt, when terminated, has not been paid in full by the debtor and
   - because the debt has not been paid in full, the capital allowance deductions exceed what would have been allowable if the capital expenditure were reduced by the amount unpaid. An amount representing the excess identified at **1.b**. above will be included in the assessable income of the debtor. Special rules apply in calculating the assessable amount. Reductions in amounts owing by the debtor as a result of the transfer of the property to the tender, and payments to the debtor financed from a non-arm's length limited recourse debt or the sale of the financed property, are not to be taken into account. This measure applies to hire purchase and limited recourse debt arrangements which terminate after 27 February 1998.

(Partnerships only)

Sections 243-60 and 243-65 of proposed Division 243 of ITAA 1997 apply the limited recourse debt provisions to the debts of partnerships and of a partner. In summary, these sections provide for an amount to be included in the assessable income of a partner where the partner's interest in the partnership ceases or is varied and the partner's liability under the debt is reduced or eliminated as a result.

Income tax deductions for GST-related expenditure

Schedule 4A to the *New Tax System (Indirect Tax and Consequential Amendments) Act (No. 2) 1999*, which received Royal Assent on 22 December 1999, amends Divisions 25, 42 and 46 of ITAA 1997.

These amendments allow eligible partnerships and trusts to claim an immediate income tax deduction for the cost of acquiring or upgrading plant or software for the purpose of meeting your obligations or exercising your entitlements under the GST law. The amendments affect:

- the depreciation of plant in Division 42 of ITAA 1997
- software depreciation provisions in Division 46 of ITAA 1997, which modify the application of Division 42 and
- the deductibility of particular amounts in Division 25 of ITAA 1997.

A partnership or trust is eligible for the deduction if you:

- acquired or upgraded the plant or software as the owner or quasi-owner during the period from 1 July 1999 to 30 June 2000

- have a pre-GST annual turnover—taking into account connected entities—for the income year (refer to subdivision 960-R of ITAA 1997) which does not exceed $10 million
- acquired or upgraded the plant or software to prepare for the commencement of the GST and
- are registered for the GST immediately before 1 July 2000.

Note: On 23 May 2000 it was announced in *Treasurer's Press Release No. 40 of 2000* that the Government will introduce legislation to allow the deduction where you have ordered plant or software under a legally binding agreement by 30 June 2000 (even if the equipment has not been paid for) and installed by 30 June 2001.

If a partnership or trust has an income year ending before 30 June 2000, you will satisfy the requirement of registration for GST immediately before 1 July 2000 if, when lodging your tax return for that income year:

- you are registered for GST or
- you have applied to be registered and that application has not been refused.

However if a partnership or trust with a substituted accounting period (SAP) satisfies one of the rules above, but is not actually registered for GST before 1 July 2000, you cannot claim this deduction and your assessment for that income year may be amended to disallow the deduction.

In addition, to claim depreciation deductions, a partnership or trust must also satisfy the general conditions for depreciation deductions—for example, the plant or software must be used, or installed ready for use, to produce assessable income.

Examples of deductible plant or software expenditure include:

1. A partnership or trust has cash registers that cannot comply with the GST requirements. You acquire new cash registers on 30 April 2000 so that you can provide your customers with the information required for GST purposes. The cost of the new cash registers is immediately deductible under section 42-168 of ITAA 1997.
2. A partnership or trust operating a manual accounting system decides that you should change to a computerised system because of the additional work required to comply with its GST obligations. During the 1999–2000 income year you also acquire the computerised system because it will help the business to manage its quarterly obligations under the PAYG instalments arrangements. You are entitled to an immediate deduction for the cost of the computer and the software under section 42-168 because meeting the obligations under the GST law was a significant purpose in your decision to acquire the new plant.
3. A partnership or trust which already has a computerised system buys new software and upgrades existing software during the 1999–2000 income year to be able to comply with GST and PAYG obligations. Your existing computer hardware is not capable of operating the new software in an efficient way and you decide to buy a new computer that can. The cost of the new software, the upgraded software and the computer is immediately deductible under section 42-168.

Other GST-related expenditure may be fully deductible in the income year in which it is incurred because it is of a revenue nature—for example, expenditure on GST-related training or stationery. For more information refer to *Taxation Ruling TR 1999/12*. To find out how to get a copy see the inside back cover.

Managed investments schemes

Eligible managed investment schemes and their members are provided relief from any unintended taxation consequences caused by changing the scheme's 2 tier manager and trustee structure to a single responsible entity structure as required under the *Managed Investments Act 1998*, effective from 1 July 1998. Managed investment schemes that change their structure to become a registered scheme in accordance with the *Managed Investments Act 1998* and members of such schemes may be eligible for CGT relief (refer to *Taxation Laws Amendment Act (No. 7) 1999*, which received Royal Assent on 22 September 1999, and *Taxation Laws Amendment Bill (No. 10) 1999*).

Pay As You Go

The PAYG system for collecting income tax and other liabilities is another part of the reform of the Australian Taxation System which has already seen the introduction of the Australian Business Number (ABN) and the GST. There are 2 parts to the PAYG system:

- PAYG income instalments and
- PAYG income withholding.

The PAYG income instalment system will replace the existing company and superannuation fund income instalments system and the provisional tax system.

The instalment system starts at the commencement of the 2000–2001 income year. Advice will be issued separately to taxpayers who are involved in the PAYG income instalments system about how this system works, what the reporting requirements will be and when instalments will need to be paid.

Information provided in the 1999–2000 tax return will be used to calculate the Commissioner's rate under the PAYG income instalment system. Taxpayers complete all labels as accurately as possible to ensure that the rate calculated results in a reliable estimate of tax payable for the 2000–2001 income year. For more information about how the rate is calculated refer to the worksheet relevant to your particular entity type. To find out how to get a copy see the inside back cover.

The PAYG income withholding system will replace the existing PAYE system and several other tax collection systems from 1 July 2000. PPS and RPS will cease from that date.

Penalty for failure to notify

A failure to notify (FTN) penalty applies when you fail to notify the ATO of the amount of tax instalments deducted from employees during a quarter. The FTN penalty is calculated at a rate of 8 per cent per annum of the amount not notified. To avoid this penalty notify the ATO of the amount due to be paid even if you cannot pay the full amount by the due date. If you are unable to make the payment contact the Small business helpline on **13 2866** before the due date to notify the amount of the tax instalments deducted for the period and negotiate a payment arrangement.

Philanthropy

On 26 March 1999 a proposal was announced to implement the Government's response to the report on philanthropy in Australia by the Business and Community Partnerships Working Group on Taxation Reform. TLAA (No. 2) 2000 contains these measures which encourage taxpayers to donate to certain funds, authorities and institutions. The amendments which apply from 1 July 1999 include:

- deductions are allowable for gifts of property to certain funds, authorities and institutions made on or after 1 July 1999 where the value of property exceeds $5000. The relevant funds, authorities and institutions include charities, approved overseas aid funds, school building funds and cultural organisations
- deductions are allowable for donations made to prescribed private funds. These funds will be listed in the *Income Tax Assessment Regulations* once approval has been obtained
- taxpayers who make gifts under the Cultural Gifts Program may choose to apportion the deduction over a maximum of 5 income years. An election must be lodged with the Secretary of the Department of Communications, Information Technology and the Arts who administers the Cultural Gifts Program. For more information about the Cultural Gifts Program and the election contact the Department of Communications, Information Technology and the Arts by:
  phone—(02) 6271 1642
  email—cgp.mail@dcita.gov.au
  Internet—www.dcita.gov.au
- taxpayers who make gifts to environmental organisations may choose to apportion the deduction over a maximum of 5 years. An election must be lodged with the Secretary of the Department of Environment and Heritage. For more information about making gifts to environmental organisations and the election contact the Department of Environment and Heritage by:
  phone—(02) 6274 1467
  email—reo@ea.gov.au
- taxpayers who make heritage gifts may choose to apportion the deduction over a maximum of 5 years. An election must be lodged with the Secretary of the Department of Environment and Heritage. For more information about making gifts to environmental organisations and the election contact the Department of Environment and Heritage by:
  phone—(02) 6274 1467
  email—reo@ea.gov.au
- an exemption from CGT applies for testamentary gifts of property to certain funds, authorities and institutions, and to political parties, independent candidates and members unless the property is reacquired for less than market value by the estate, a beneficiary of the estate or an associate and
- an exemption from CGT applies for gifts of property under the Cultural Gifts Program unless the property is reacquired for less than the market value by the donor or an associate.

For more information refer to the *Guide to capital gains tax*. To find out how to get a copy see the inside back cover.

Year 2000 related expenditure and software expenditure generally

Legislation contained in *Taxation Laws Amendment (Software Depreciation) Act 1999* provides that all expenditure on software is deductible, either within Division 46 of ITAA 1997 or elsewhere in the tax law.

New Division 46:

- modifies the provisions in Division 42 of ITAA 1997 to allow a deduction, over 2 years at 40 per cent per year, for expenditure incurred in acquiring, developing or commissioning software
- includes an option to allow taxpayers to choose to pool expenditure on in-house development or commissioning of software projects and
- allows an immediate deduction for:
  - certain Year 2000 (Y2K) expenditure incurred before 1 January 2000
  - minor expenditure and for expenditure on software that is never used.

Depreciation (capital allowances)

Several measures in the *New Business Tax System (Capital Allowances) Act 1999* (Capital Allowances Act 1999) relating to the depreciation system apply from 11.45a.m. AEST, 21 September 1999. These measures generally do not affect small business taxpayers who satisfy certain conditions (see Small business taxpayers on this page). The changes are:

- the removal of accelerated depreciation for depreciable assets acquired after 11.45a.m. AEST, 21 September 1999 except for small business taxpayers satisfying certain conditions
- the accelerated depreciation system being replaced with a system where depreciation rates are fixed by reference to the effective life of the asset
- the introduction of the ability to reassess the effective life of depreciable assets acquired after 11.45a.m. AEST, 21 September 1999 where depreciation rates are fixed by reference to the effective life of the asset
- the removal of the option to offset any assessable balancing adjustment amount against replacement plant for disposals occurring after 11.45a.m. AEST, 21 September 1999 for all taxpayers except small business taxpayers
- the introduction of an option to offset any assessable balancing adjustment amount against replacement plant for certain involuntary disposals occurring after 11.45a.m. AEST, 21 September 1999
- the removal of depreciable assets from the CGT regime for disposals occurring after 11.45a.m. AEST, 21 September 1999 and treating any gains or losses as an additional balancing adjustment and
- the introduction of depreciation deductions for the cost of an indefeasible right to use an international telecommunications submarine cable system (IRUs). The measures apply to expenditure incurred after 11.45a.m. AEST, 21 September 1999 on IRUs over new cables.

Legislation proposed in the *New Business Tax System (Miscellaneous) Bill 1999* will change the present treatment for plant costing $300 or less (refer to section 42-167 of ITAA 1997) by allowing an immediate 100 per cent depreciation deduction. From 1 July 2000 this immediate deduction is to be replaced with a system that allows taxpayers, except small business taxpayers, an option to depreciate all items of plant costing less than $1000 through a pooling mechanism. These items will then be depreciated over an effective life of 4 years using the diminishing value method. Where the option is not exercised, the depreciation for the plant will be determined only by its effective life.

For more information refer to the *Guide to depreciation*. To find out how to get a copy see the inside back cover.

Small business taxpayers

The following measures, that apply from 11.45a.m. AEST, 21 September 1999, are interim measures pending the introduction of a Simplified Tax System for small business taxpayers, which is to commence on 1 July 2001. Legislation for the Simplified Tax System has not been introduced into Parliament at the time of printing.

The key features of the Simplified Tax System are:

- cash accounting rather than accruals
- a simplified depreciation system
- a simplified treatment of trading stock

Small business taxpayers, who meet certain eligibility requirements, will retain the following:

- accelerated depreciation for plant and equipment used in their business activities, when certain conditions are met—see below
- immediate deduction for plant costing $300 or less
- balancing adjustment offsetting
- continued access to the ‘13 month rule’ for prepayments other than prepayments in relation to tax shelter arrangements—see page 10.

Conditions to retain access to accelerated rates of depreciation

The following conditions must be met to retain access to accelerated rates of depreciation:

- the entity must be a small business taxpayer for the income year that includes the time when the entity first used the plant or first had it installed ready for use
- at least 50 per cent of the plant’s intended use must be in carrying on a business for the purpose of producing assessable income and
- neither of the following conditions applies:
  - it could reasonably be expected that, because of the plant’s use, the entity would not be a small business taxpayer for the next income year or either of the next 2 income years after that and
  - the plant is being or is intended to be predominantly leased. This does not include a hire purchase agreement or short-term hire agreement.

Note: Accelerated depreciation will not be available to a small business if that item of plant is part of the start-up of a major business or major expansion of an existing business.

Definition of a small business taxpayer

New subdivision 960-Q of ITAA 1997 defines a small business taxpayer as a taxpayer who carries on a business during the income year and either:

- the taxpayer's average turnover for the year is less than $1 million or
- where the taxpayer chooses to recalculate their average turnover for an income year before the 2001–2002 income year based on a reasonable estimate, and it is less than $1 million.

Average turnover

A taxpayer's average turnover for an income year is the average of the taxpayer's 'group turnovers' for the year and the preceding 2 years if any. Taxpayers can only average the years in which they carry on a business, except where they are winding up a business. For example, if a taxpayer has carried on a business for the current and previous year only, the taxpayer would average only those 2 years.

A taxpayer is taken to be carrying on a business in a year if the taxpayer is winding up a business they formerly carried on and the taxpayer was a small business taxpayer at the time that they stopped carrying on the business.

Group turnover

To determine average turnover a small business taxpayer's turnover will be grouped with the entities it controls or is controlled by. These grouping measures are based on those that apply under the CGT rollover relief for small business. A taxpayer's group turnover for an income year means the sum of the values of all supplies of goods and services that the taxpayer and its controlling or controlled entities made during the year to third parties in the ordinary course of carrying on a business, exclusive of GST payable on supplies.

Changes to prepayment rules

The *New Business Tax System (Integrity and Other Measures) Act 1999* (Integrity and Other Measures Act 1999) made changes to the rules about when you can deduct a prepayment incurred after 11.45a.m. AEST, 21 September 1999.

Prepayments can now only be deducted in an income year to the extent that the thing the payment was for, is done in that income year. This change does NOT apply to:

- any prepayment that is not incurred in carrying on a business
- any prepayment incurred by a small business taxpayer—for a Definition of a small business taxpayer see above
- any prepayment incurred after 11.45a.m. AEST, 21 September 1999 but in accordance with a contractual obligation that you cannot unilaterally escape existing BEFORE that time to make that prepayment or
- any prepayment that is 'excluded expenditure' —that is, an amount below $1000, an amount required to be incurred by law, or an amount of salary or wages. Those prepayments will be treated in the same way as they would have been before the changes were made.

Transitional rule

There is a transitional rule for a prepayment made in the income year including 21 September 1999 (this will be the 1999–2000 income year unless you have a SAP) that would previously have fallen within the 13 month rule.

Such prepayments made after 11.45a.m. AEST, 21 September 1999 can be divided into 2 parts:

- the part relating to something to be done within the same income year and
- the part relating to something to be done in future income years.

The first part is deductible in the same income year. Under the changes, the second part would only be deductible in the future years but the transitional rule allows you to deduct 80 per cent in the first income year and the remaining 20 per cent in the next year.

Tax shelters

Legislation was introduced into Parliament on 13 April 2000 in *New Business Tax System (Integrity Measures) Bill 2000* that will apply to prepayments made after 1.00p.m. AEDT, 11 November 1999.

If those prepayments relate to a tax shelter, they will only be deductible in the income year the benefits attributable to the prepayment are provided.

The legislation does NOT apply to:

- prepaid interest on money borrowed to buy real estate, shares, or units in a unit trust
- prepaid premiums on buildings, contents or rent insurance and
- prepayments in respect of certain infrastructure bonds and arrangements for which an ATO product ruling had issued.

At the time of printing legislation is still before Parliament. For more information see the inside back cover.

Capital gains tax

In the *Treasurer's Press Release No. 58 of 1999* issued on 21 September 1999 several capital gains measures were announced as part of the *New Business Tax System*. Legislation to give effect to these measures received Royal Assent on 10 December 1999.

1.The *New Business Tax System (Capital Gains Tax) Act 1999* inserted the following measures into ITAA 1997:

Small business relief

There are 4 small business CGT concessions now contained in Division 152 of ITAA 1997 which may apply to CGT events that happen after 11.45a.m. AEST, 21 September 1999 if certain conditions are satisfied.These are:

- the small business 15 year exemption
- the small business 50% active asset reduction
- the small business retirement exemption
- the small business roll-over.

The small business 15 year exemption does not apply to CGT events that happen before 20 September 2000. The small business 50% active asset reduction may apply to all CGT assets that are active assets —including goodwill of a business—and replaces the 50 per cent concession previously available in section 118-250 of ITAA 1997 for goodwill of a business. The previous small business roll-over and retirement exemption provisions and 50 per cent goodwill concession (refer to Division 123, subdivision 118-F and section 118-250 of ITAA 1997 respectively) continue to apply to CGT events happening before 11.45a.m. AEST, 21 September 1999.

For more information refer to the *Capital gains tax concessions* for small business. To find out how to get a copy see the inside back cover.

Scrip for scrip roll-over

New subdivision 124-M of ITAA 1997 provides, with effect from 10 December 1999, for a CGT roll-over —that is, deferral of any capital gain—when certain interests in companies and trusts are exchanged for interests in another entity, typically as the result of a takeover. This roll-over allows the capital gains liability otherwise arising on the disposal of the original interests to be deferred until a CGT event happens to the replacement interests. *Treasurer's Press Release No. 87 of 1999* announced that legislation to give effect to cost base rules for assets acquired by an interposed entity from the exchanging taxpayer in a takeover or merger will be introduced as soon as possible following consultation. A further announcement will also be made following a review of some other aspects of the scrip for scrip roll-over provisions.

Venture capital concessions

New subdivision 118-G of ITAA 1997 allows certain non-resident tax exempt superannuation funds exemption from tax on capital gains made on the disposal of particular Australian venture capital investments. The investment must be held at risk for at least 12 months by way of venture capital equity —that is, a share in a company, or unit or other fixed interest in a trust—in an Australian resident company or fixed trust that does not have total assets, including the new investment, exceeding $50m at the time of the new investment and does not have property development or ownership of land as its primary activity. The *New Business Tax System (Venture Capital Deficit Tax) Bill 1999* was also introduced into Parliament on 9 December 1999 to allow Australian widely held superannuation funds to receive effectively tax free venture capital gains derived through a Pooled Development Fund (PDF).

2. The Integrity and Other Measures Act 1999 inserted the following measures into ITAA 1997:

Limiting indexation of the cost base of CGT assets

Indexation is not available for CGT assets acquired after 11.45a.m. AEST, 21 September 1999. For CGT events happening after that time to a CGT asset acquired at or before that time, a trust may choose to claim either indexation of the cost base, frozen as at 30 September 1999, or the CGT discount. If a CGT asset is acquired at or before 11.45a.m. AEST, 21 September 1999 and further expenditure is incurred in relation to that asset after that time, indexation of that part of the cost base is also not available. Indexation is not available if the CGT asset was owned for less than 12 months.

CGT discount

If a trust makes a capital gain from a CGT event happening after 11.45a.m. AEST, 21 September 1999 to a CGT asset acquired after that time, the trust may be eligible for the CGT discount in Division 115 of ITAA 1997 (see the *Treasurer's Press Release No. 93 of 1999* referred to on page 12 concerning the CGT treatment of assets acquired by trusts). If so, the net income of the trust will include one-half of the gain, without any indexation of the cost base. The CGT asset must have been acquired at least 12 months before the CGT event giving rise to the capital gain. There are also rules to prevent circumvention of the 12 month requirement.

For a CGT event happening after 11.45a.m. AEST, 21 September 1999 to a CGT asset acquired at or before that time and owned for at least 12 months, the trustee of a trust may choose the CGT discount and include in net income, half of the capital gain calculated without any indexation of the cost base or the whole of the capital gain calculated with the indexed cost base frozen as at 30 September 1999.

Current year capital losses and prior year net capital losses must be applied to reduce current year capital gains before applying the CGT discount. The CGT discount is applied before any of the small business CGT concessions—see page 11.

Certain CGT events, such as where new assets are created, do not qualify for the CGT discount. These are CGT events D1, D2, D3, E9, F1, F2, F5, H2, J2, J3 and K1.

CGT treatment of assets acquired by trusts

The *Treasurer's Press Release No. 93 of 1999* issued on 23 December 1999 announced details of the CGT treatment of assets disposed of by trusts after 1 July 2001, the date from which trusts will be taxed like companies. If an asset is acquired by a trust after 23 December 1999 and disposed of on or after 1 July 2001, a trust taxed like a company will be taxed at the entity rate on any gain. If an asset was acquired by the trust on or before 23 December 1999 and disposed of on or after 1 July 2001, the trust will be able to benefit from the CGT discount available to individuals—or has the option of applying frozen indexation if the asset was acquired at or before 11.45a.m. AEST, 21 September 1999—in determining the trust's assessable income. Amounts excluded from a trust's assessable income will, on distribution, be treated as a return of contributed capital of the trust, consistent with the general transitional rules for trusts that become subject to entity taxation.
For more information refer to the Fact Sheet attached to the Press Release.

Further loss duplication rules

- the reduced cost base provisions have been amended to make it clear that a taxpayer cannot claim a deduction and a capital loss for the same economic loss if a CGT event happens to a CGT asset—including an interest in a CGT asset of a partnership. The amendment applies in respect of CGT events happening on or after 21 October 1999
- for CGT events and other transactions that happen on or after 21 October 1999, new subdivision 170-D of ITAA 1997 defers recognition of a capital loss or a deduction that would otherwise be realised, if a CGT asset is transferred to, or created in, a company by another company—the originating company—where the companies form part of a linked group. Companies are linked if one has a more than 50 per cent interest in the other or the same entity has a more than 50 per cent interest in each. Deferral may also occur if a CGT asset is transferred to, or created in, an entity—being a trust or an individual—that is connected with the originating company. The deferred capital loss or deduction will become available to the originating company where, broadly, the asset substantially ceases to belong to the same linked group together with connected entities and their associates.
  In certain circumstances, deferral will reoccur if, broadly, the asset is, within 4 years, substantially reacquired by a member of the linked group or a connected entity of the original company or associate
- a further measure dealing with losses on entity interests in loss companies was announced in *Treasurer's Press Release No. 74 of 1999* on 11 November 1999. This measure will deny, for tax purposes, losses on interests held by entities interposed between a loss company and its ultimate individual owners where there is a change in the majority ownership of the loss company. Losses will be denied to the extent of any realised or unrealised losses in the company. This will reduce the scope for multiple recognition of losses by the tax system. The measure will apply to a company if it undergoes a substantial change of ownership or control after 1.00p.m. AEDT, 11 November 1999.

Removal of CGT averaging

With effect from the 1999–2000 income year, the *New Business Tax System (Income Tax Rates) Act (No. 2) 1999* (Income Tax Rates Act 1999) removes the CGT averaging concession. In the 1999–2000 income year, transitional measures in the Act provide a reduction to basic income tax liability if the trust had made a capital gain from a CGT event happening between 1 July 1999 and 11.45a.m. AEST, 21 September 1999. It ensures, as far as practicable, that the income tax payable in relation to capital gains from CGT events before that time is the same as it would have been if CGT averaging had not been removed.

3. The Capital Allowances Act 1999

This Act amended ITAA 1997 to remove plant from the CGT regime and to include in assessable income, under the depreciation provisions in Division 4 of ITAA 1997, the excess of disposal proceeds over the cost base of the plant, indexed to 30 September 1999. It also provides for a balancing charge offset for involuntary disposals of plant to replace the current CGT roll-over relief for such disposals.
The amendments apply to balancing adjustment events (such as the disposal of plant) occurring after 11.45a.m. AEST, 21 September 1999.

4. In the *Treasurer's Press Release No. 74 of 1999* issued on 11 November 1999 the following further measures were announced:

Involuntary disposal roll-overs

The existing law will be amended to extend the scope of what is defined as an involuntary disposal for CGT roll-over purposes and will establish the same treatment for a compulsory acquisition by a private acquirer as for a public acquirer, if the former has recourse to a statutory power. The amendment will not, however, apply to compulsory acquisitions of minority interests under the Corporations Law. Roll-over will also apply if a landowner whose land is compulsorily subject to a mining lease sells the land to the mining company and acquires a replacement asset, if the mining operation would significantly affect the landowner's use of the land. The measure is intended to apply to involuntary disposals after 1.00p.m. AEDT, 11 November 1999.

Roll-over provisions for entities

Measures will be introduced to provide ongoing relief for roll-overs, with effect from 1 July 2001, into companies and fixed trusts and also to provide transitional roll-over relief, with effect from 1.00p.m. AEDT, 11 November 1999 and available until 1 July 2001, for fixed trusts restructuring to a company and for companies restructuring to Collective Investment Vehicles (CIV), providing certain conditions are satisfied. These measures will facilitate restructuring as a result of the unified entity regime.

Assignment of leases

The Government announced in the *Treasurer's Press Release No. 10 of 1999* that it intended to address any exploitation of deficiencies in the current business tax system in relation to assignments of leases or interests in leased plant. All forms of consideration received in connection with a lease assignment—including the benefit of being relieved of debt—are taken into account in calculating the assignor's assessable income. The amendments are included in new Division 45 of ITAA 1997.

The broad impact of new Division 45 and related amendments is to:

- include an amount in the assessable income of a plant lessor when:
  1. plant which has been used principally for leasing, or an interest in such plant, is disposed of on or after 22 February 1999 and some part of the lease period occurred on or after that date, and the consideration and other benefits received for the disposal exceed the plant's depreciated value or
  2. there is a disposal of rights under a lease of depreciable plant, such as the rights to receive a flow of rental income, where the plant has been principally used for leasing and some part of the plant lease period occurred on or after 22 February 1999
- include an amount in the assessable income of a partner in a leasing partnership, when the conditions in **1**. or **2**. above are met, and the partner disposes of either:
  – an interest in the partnership so as to reduce the partner's interest in plant which the partnership has principally used to lease to other entities or
  – rights or an interest under a lease.

Important messages

Disposal of plant on which investment allowance was claimed in an earlier income year

Where an investment allowance has been claimed on an item of plant in an earlier income year and the partnership or trust has:

- ceased to own or lease the plant
- leased out the plant
- let the plant on hire purchase
- granted a right to another person to use the plant
- used the plant outside of Australia
- used the plant other than for producing assessable income
- recouped or became entitled to recoup expenditure on that plant

keep the following:

1. full details of the investment allowance claim, including the income year in which it was made, the amount of the claim and a description of the plant involved
2. the date the plant was first used or installed ready for use
3. full details of the sale, use by or granting of rights to use to another person, recoupment of expenditure, including dates where any other party is involved, include the name and address of that person, company, partnership or trust and the sale price if sold and
4. if the event in **3.** was intended at the time the plant was acquired, constructed or taken on lease.

Note: The onus is on the trustee or public officer—where there is no trustee who is an Australian resident—to keep this information.

Information matching

The ATO is making increasing use of information matching technology to verify the correctness of tax returns. Ensure that all information is fully and correctly declared on your tax returns. Certain claims that are made may be subject to additional scrutiny by the ATO.

In particular, the ATO will be checking the following in the 1999–2000 tax returns:

- PPS and RPS income and credits will be matched against information provided to the ATO by PPS and RPS payers—see pages 32 and 41
- distributions from partnerships and trusts—see pages 42 and 43
- total salary and wages paid will be cross checked against the PAYE system—see page 64
- the amount of prior year losses claimed will reconcile with the amounts of losses carried forward in tax returns of earlier years—see page 58
- dividend income—see pages 45 and 91.

Hobby or Business

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

A business is considered to exist if the activity:

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

For more information, refer to *Are you in business?* Primary producers should also refer to *Taxation Ruling TR 97/11*. To find out how to get a copy see the inside back cover.

Purchase or sale of business during the income year

Keep the following:

- the name and address of the other party to the transaction
- the purchase or sale price, including details of the allocation of purchase or sale price for stock on hand, plant and equipment
- a copy of the contract of purchase or sale.

Note: The onus is on the trustee or public officer—where there is no trustee who is an Australian resident—to keep this information.

Special cases

There are special requirements for certain types of partnerships and trusts for lodging their tax returns which include:

- limited partnerships—see page 18
- corporate unit trusts and public trading trusts—see page 24.

Record keeping requirements

Record keeping and retention

Persons carrying on a business must keep records that record and explain all transactions and other acts, engaged in by the person, which are relevant for any taxation purpose. Subsection 262A(2) of ITAA 1936 prescribes the records to be kept as including:

- any documents that are relevant for the purpose of ascertaining the person's income or expenditure
- documents containing particulars of any election, estimate, determination or calculation made by the person for taxation purposes and, in the case of an estimate, determination or calculation, particulars showing the basis on which and the method by which the estimate, determination or calculation was made.

Generally, a partnership or trust must keep all relevant records for 5 years after those records were prepared or obtained, or 5 years after the completion of the transactions or acts to which those records relate, whichever is the later, although this period may be extended in certain circumstances. Records must be in writing and in English, however they may be kept in an electronic form, or on microfiche on the condition that the records are in a form that ATO staff can access and understand to ascertain the person's taxation liability (refer to *Taxation Rulings TR 96/7* and *TR 97/21*. To find out how to get a copy see the inside back cover).

E-record

The ATO has developed E-record to assist small/micro businesses and non-profit organisations keep good business records electronically, both now and after the introduction of the GST.

It is designed for businesses who use a cash basis of accounting and who wish to make the transition from paper based products to an electronic record keeping package. It is not designed for those businesses who are already using a commercially available accounting software package. The E-record CD-ROM consists of 2 components:

- a multi-media component that contains information on record keeping and a demonstration (through examples) of how the E-record package works and
- a set of simple to use electronic worksheets that produce daily, weekly and monthly summaries, with the added benefit of automatic calculations and consolidations. This will assist businesses in the completion of their *Business Activity Statement* from 1 July 2000.

From mid-March 2000, the E-record CD was sent automatically to businesses who had registered for the GST and indicated they use a cash basis of accounting. For more information phone the Business tax reform infoline—see the inside back cover.

Capital gains tax record keeping

It is important to keep accurate records from the date of acquisition of any CGT asset from which a partnership or trust has made or might make a capital gain or capital loss if a CGT event happens to it—for example, a disposal of the asset.

Failure to keep such records could result in:

- extra expense being incurred to reconstruct the cost base of the asset when a CGT event happens to it and
- more tax being paid.

A partnership or trust must keep records of every act, transaction, event or circumstance that can reasonably be expected to be relevant in working out whether a capital gain or capital loss is made from a CGT event. (It does not matter whether the CGT event has happened or may happen in the future).

The records must be in English—or readily convertible into English. The records must show the nature of the act, transaction, event or circumstance and the day when it happened or arose.

A partnership or trust must retain the records for 5 years after it becomes certain that no CGT event —or no further CGT event—can happen so that the records can no longer reasonably be expected to be relevant to working out whether a capital gain or capital loss is made from the event.

Note: Section 121-35 of ITAA 1997 now allows taxpayers to either:

- continue to follow the record keeping requirements above or
- transfer the information contained in the records to a CGT asset register or
- adopt a combination of both methods.

For more information, phone the Business tax reform infoline—see the inside back cover.

Record keeping of overseas transactions and interests

Keep records of any overseas transactions in which the partnership or trust is involved—or has an interest in—during the income year.

The involvement can be direct or indirect—for example, through persons, trusts, companies or other entities. The interest can be vested or contingent, and includes a case where the partnership or trust has direct or indirect control of:

- any income from sources outside Australia not disclosed elsewhere in the tax return or
- any property—including money—situated outside Australia. Where this is the case keep the following:
  - the location and nature of the property
  - the name and address of any partnership, trust, business, company, or other entity in which the partnership or trust has an interest and
  - the nature of the interest.

If an overseas interest was created by exercising any power of appointment, or if the partnership or trust had an ability to control or achieve control of overseas income or property, keep the following:

- the location and nature of the property and
- the name and address of any partnership, trust, business, company, or other entity in which the partnership or trust has an interest.

Note: The onus is on the trustee or public officer —where there is no trustee who is an Australian resident—to keep this information.

Tax return

Late lodgment penalty

The amount of late lodgment penalty payable is $10 for each week or part of a week occurring after the due date and before the tax return is lodged. The maximum penalty is $200. The penalty is payable irrespective of whether any tax is payable. When a trust fails to pay on time, it is liable to pay the GIC on some or all of the penalty.

Private ruling by the Commissioner of Taxation

An *Application for a private ruling* must be in writing and in accordance with the provisions of Part IVAA of TAA 1953. To find out how to get a copy see the inside back cover. The information and documentation that must accompany a private ruling request, must be sufficient for the Commissioner to make a private ruling. Such information will include not only the parties involved, the facts, income years covered by the arrangement, issues and questions raised that relate to specified tax laws, but also an analysis and opinion on such questions.

The Commissioner may request additional information to make a ruling. The Commissioner will then consider the request and either issue—or in certain limited circumstances refuse to issue—a private ruling. For more information refer to *Taxation Ruling TR 93/1* and *Addendum*. To find out how to get a copy see the inside back cover.

Taxpayers can object against adverse private rulings in much the same way as they can object against assessments. They also can seek a review of adverse objection decisions on a private ruling by the Administrative Appeals Tribunal (AAT) or a court. An explanation of review rights and how to exercise them is issued with the private ruling. An objection to a ruling can be lodged within the latter of:

- 60 days after the receipt of the ruling or
- 4 years from the last day allowed for lodging a tax return for the income year covered by the ruling.

A taxpayer cannot object against a private ruling if an assessment has occurred covering the same facts and issues—the taxpayer could, of course, object against the assessment.

Where a taxpayer has objected against a private ruling, the taxpayer cannot object on the same grounds against a later assessment, unless the facts have changed.

Private rulings dealing with ITAA 1936 continue to apply to ITAA 1997, to the extent that the old law ruled on expresses the same ideas as the new law in ITAA 1997 (refer to *Taxation Ruling TR 97/16*. To find out how to get a copy see inside back cover).

Penalties

Additional tax may apply where partnerships or trusts do not meet the requirements of the tax law by:

- making incorrect or inaccurate statements in relation to their taxation affairs, that lead to a taxpayer having a tax shortfall—refer to *Taxation Rulings TR 94/3* and *TR 94/4*
- lodging a tax return late
- failing to pay tax by the correct date (Trust only).

The GIC is also payable where a trust fails to pay tax by the correct date, whether the instalment payment or final payment.

Paying your tax debt

How do you know how much you have to pay?

Your notice of assessment tells you how much tax you have to pay, if any, and the date by when you must pay.

What if you don't agree with the assessment?

You should pay your tax debt by the due date even if you have lodged an objection or asked for an amendment. If you do not the GIC is also payable.

If the objection and/or the amendment is decided in your favour, you will receive a refund of the amount you have overpaid plus interest.

How and where do you pay your tax debt?

This information is set out on the back of your notice of assessment.

You can make payments by one of 3 methods:

- In person at any Australia Post agency, by cash or cheque. A $3000 cash limit applies. You must present your pre-identified payment advice when making a payment.

  Note: The ATO has closed its over the counter cashiers service.
- By mailing your payment to the address printed on your payment advice. Where a payment advice is not available, payments can be mailed to either of the addresses below.

  From 15 May 2000 clients from New South Wales, Australian Capital Territory and Queensland mail payments to:

  ATO Mail Payments
  Private Bag 50
  Penrith NSW 2750

  From 6 March 2000 all other clients mail payments to:

  ATO Mail Payments
  Private Bag 6007
  Albury NSW 2640

  Cheques are made payable to the Deputy Commissioner of Taxation with **Not negotiable** printed across the cheque. Tender all cheques in Australian currency. Do not send cash by mail.
- Electronically, by arranging to have your payment credited to the ATO, via a desktop banking package. Payments via BPAY will be available from July 2000. For more information phone **1800 815 886.**

What if you do not pay by the due date?

The GIC is payable for all outstanding tax debts including instalment payments. The rate is updated every quarter—see **What's new?** on page 5.

In addition, the ATO will adopt any appropriate collection approach to collect the tax. These include telephone contact, letters, payment by instalments, serving 'garnishee' notices on your bank or trade debtors, and taking legal action in appropriate cases up to and including placing a company in liquidation.

What you do if you cannot pay your tax debt by the due date?

To avoid action being taken to recover the debt, phone the Debt collection helpline on **13 1142**.

Taxpayers are expected to organise their affairs to ensure that they pay their debts on time. Nevertheless, the ATO may allow taxpayers to pay their debts by instalments where they face genuine difficulty and have the capacity to pay the debt—and the GIC on outstanding amounts of tax—over a reasonable period of time. Approval to do this will not be given automatically. You will need to provide details of your financial position, including a statement of your assets and liabilities and details of your income and expenditure. The ATO will also want to know what steps you have taken to obtain funds to pay your debt and the steps you are taking to meet future tax debts on time.

Information for partnerships

Partnership

A partnership is an association of persons carrying on a business as partners or receiving income jointly (refer to *Taxation Ruling TR 94/8*. To find out how to get a copy see the inside back cover). A partnership is not a taxable entity. Partners are taxed on their share of profits or are entitled to a deduction for their share of a loss in their own individual tax returns.

Some deductions are not available to the partnership but may be claimed by the partners—see Appendix 5 on page 99.

Non-resident partner

A partner who is not a resident of Australia is not taxable on the share of net income of the partnership attributable to sources outside Australia. If you believe that any partner who has a share of such income is not an Australian resident, keep a record of their name and residential address, the basis of any contention and the partner's share of income derived from sources outside Australia.

Variation of partnership agreement

A copy of any variation to the partnership agreement must be retained for the life of the partnership plus a period of 5 years.

Reconstituted partnerships

Where a partnership is reconstituted—that is, a change in membership through admission, retirement or death of members—a new tax file number (TFN) is usually required. A partnership tax return is required to be lodged for the old partnership from the beginning of the income year to the date of the reconstitution. Another partnership tax return for the new partnership is required from the date of the reconstitution to the end of the income year.

A new TFN and 2 tax returns are not required where a partnership has 20 or more partners and the change—under the reconstitution—represents less than 10 per cent change in the beneficial interest of the partnership.

For a reconstituted partnership required to lodge one tax return, the following details need to be supplied with the tax return:

- the date of dissolution
- the date the new partnership came into existence
- the names of all outgoing partners and
- the beneficial entitlements of all existing and new partners.

Lodgment of a partnership tax return

A partnership tax return is lodged by the partners resident in Australia or by the senior partner. Where no partner is resident, the agent in Australia lodges the tax return. For information relating to non-residents, see Non-resident partner on this page.

A copy of the partnership tax return and related documents should be kept as there may be a charge for obtaining a copy from the ATO.

A partnership tax return is lodged except where:

- income is only received from a joint bank account or from a jointly owned rental property
- application has been made for exemption from lodging a partnership tax return.

The ATO may grant an exemption if each partner gives an undertaking to provide details of all relevant income, expenditure and deduction items, as well as distribution details in their individual tax return.

The application also confirms that the partners have authorised their tax agent to undertake on their behalf that the information pertaining to the partnership appears in each partner's individual tax return.

If granted, an exemption applies to all future year tax returns until the partners or the ATO cancels it.

An exemption cannot be granted where a partner is claiming a credit under PPS or RPS for deductions made from payments to a partnership.

The *Partnership tax return 2000* is sent to the nearest ATO—for lodgment addresses see page 16. Those tax returns, which include one or more *Interposed entity election 2000*, are sent to:

ATOdatacorp
Non-individuals
GPO Box 9990
Box Hill VIC 3128

Special case—Limited partnerships

All partnerships lodge a *Partnership tax return 2000* except certain limited partnerships which are taxed as companies and are therefore required to lodge a *Company tax return 2000*. These partnerships must apply for a company TFN.

Other attachments to the tax return

In some cases the ATO needs more information about the partnership to raise correct assessments for the individual partners. These are:

- where the partnership attaches an election, notification, request or application when lodging the partnership tax return
- where the partnership has received a bonus or other amount in respect of a short-term life assurance policy issued after 27 August 1982 (see item **12—Other Australian income** on pages 46–47)
- where the partnership has paid or credited unfranked dividends or interest to a non-resident of Australia or has received unfranked dividends or interest on behalf of a non-resident of Australia (see Appendix 1 on page 92)
- where the partnership claims a credit for tax deducted from PPS or RPS payments (see item **51—Statement of distribution** on pages 68–70)
- for reconstituted partnerships required to lodge one tax return (see Reconstituted partnerships on page 18) the following details need to be supplied:
  - the date of dissolution
  - the date the new partnership came into existence
  - the names of all outgoing partners and
  - the beneficial entitlements of all existing and new partners.

If any of the above circumstances apply, attach separate pages, headed *Schedule of Additional Information*, showing the full details, the partnership name and TFN, sign it and attach it to the *Partnership tax return 2000*. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of tax return.

Record retention

Partnerships keep the following:

- a copy of the partnership agreement. If none exists, a copy of the partnership's certificate of registration. If none exists, documentary evidence that partners were carrying on their activities as a partnership
- commencement date of the partnership or the date of reconstitution
- detailed statement of assets and liabilities
- details of each partner's capital accounts and sources of capital contributed
- details of each partnership bank account including the name and number of the account, the bank and branch at which it is kept, the date the account was opened and the names of persons authorised to operate the account and the date of such authorisation
- the family relationship of the partners and, if the partners are husband and wife, details of the nature and extent of the services rendered by each to the partnership
- whether the partners own jointly or in common, any property from which interest, dividends, rents or royalties are derived
- the names in which business contracts are made
- details of any services rendered in the production of assessable income by a partner under 18 years of age, or by a beneficiary under 18 years of age in a trust where the trustee is a partner. Details to include the nature, extent and value of the services rendered
- whether the partnership is constituted or conducted such that any partners cannot, of their own will, deal with any part of their share of the partnership income and
- whether any partners are required to use any part of their share of the profits to meet any debt to another person.

For more information on Record keeping requirements see page 14.

Australian Taxation Office

Partnership tax return 2000

1 July 1999 to 30 June 2000

Have you attached any 'other attachments'?

Tax file number

NAT 0659-3.2000

Notes to assist in the preparation of this tax return are provided in the *Partnership and trust tax returns 2000 instructions (P and T 2000 instructions)* available from the Australian Taxation Office (ATO). Post or deliver this tax return to the ATO by 31 October 2000. Addresses are shown in the instructions.

Name of partnership

Previous name of partnership
If the partnership name has changed, please print it **exactly** as shown on the last tax return lodged.

Current postal address
If the address has not changed, please print It **exactly** as shown on the last tax return lodged.

Suburb or town | State | Postcode

Country—if not Australia

Postal address on previous tax return
If the address has changed, please print it **exactly** as shown on the last tax return lodged.

Suburb or town | State | Postcode

Country—if not Australia

Full name of the partner to whom notices should be sent

- If the partner is an individual, print details here.

Title—for example, Mr, Mrs, Ms, Miss

Surname or family name

Given names

- If the partner is a company or trust print details here including Australian Company Number (ACN) or Australian Registered Body Number (ARBN).

Name

ACN or ARBN*

* Cross out whichever is not applicable.

Interposed entity election status
If the partners have made or are making one or more interposed entity elections from a day in 1999–2000 or an earlier income year, print the appropriate **election status code** for the partnership in the box to the right and complete and attach an ***Interposed entity election 2000***. Refer to the *P and T 2000 instructions*.

Tax file number of former partnership
If the partnership arose as a result of a reconstitution,refer to the *P and T 2000 instructions*.

Final tax return
Refer to the *P and T 2000 instructions*.

Important: Before making this declaration please check to ensure that all income has been disclosed and the tax return is true and correct in every detail. If you are in doubt about any aspect of the tax return, place all the facts before the Australian Taxation Office. The income tax law imposes heavy penalties for false or misleading statements in tax returns.

Declaration:
I declare that:

- the particulars shown in this tax return and in the accompanying documents are true and correct in every detail and disclose a full and complete statement of the total income derived from all sources in **and out of** Australia during the income year; and
- the partnership has the necessary receipts and/or other records, or expects to obtain the necessary written evidence within a reasonable time of lodging this tax return.

Hours taken to prepare and complete this return
Refer to the *P and T 2000 instructions.* Do not include tax agent's time.

Signature

Date Day Month Year

This declaration and all attached documents must be signed by a partner.

Tax agent's certificate Refer to the *P and T 2000 instructions*

I,

having charged a fee for preparing or assisting in the preparation of this return, hereby certify that this return has been prepared in accordance with the information supplied by the taxpayer.

Agent's signature

Day Month Year

Client's reference

ATO use only

Contact name | Area code | Telephone number | Agent's reference number | Indics **X**

F

IN-CONFIDENCE—when completed

Name of partnership

The partnership name shown on page 1 of the tax return should be consistent from year to year, except in the year of a name change.

Previous name of partnership

If the partnership name has changed, print it exactly as shown on the last tax return lodged.

Current postal address

Show the current postal address for the service of notices.
If the address is unchanged since the last tax return was lodged, print it exactly as shown on the last tax return.

Postal address on previous tax return

If the address has changed, print it exactly as shown on the last tax return lodged.

Full name of the partner

Show the surname or family name and given names of the partner to whom notices are sent. If the partner is a company, show the name of the company and the Australian Company Number (ACN) or Australian Registered Business Number (ARBN). If the partner is a trust show the name of the trust and the trustee. Where the trustee is a company show the ACN or ARBN.

Interposed entity election status

If the partners are making one or more interposed entity election(s) specifying a day in the 1996–1997, 1997–1998 or 1998–99 income year—in accordance with the new transitional provisions (see **What's new?** on page 3)—and/or is making one or more interposed entity elections specifying a day in the 1999–2000 income year, the appropriate election status code is printed in the box at this item and an *Interposed entity election 2000* is completed for each election and included in the *Partnership tax return 2000*.

Instructions on how to complete the *Interposed entity election 2000* are given on the form. To find out how to get a copy see the inside back cover.

If the *Partnership tax return 2000* is not lodged using the electronic lodgment service (ELS), the tax return including the *Interposed entity election 2000* are sent to:

ATOdatacorp
Non-individuals
GPO Box 9990
Box Hill VIC 3128

Election status codes

Print the code in the box at this item from the table on this page which corresponds to the interposed election status of the partners.

Choose the code for the income year which has been specified in the interposed entity election made by the partners (if only one interposed entity election is made) or the earliest income year which has been specified in all of the interposed entity elections made by the partners since the lodgment of the 1998–1999 tax return (if more than one interposed entity election is made).

Example:

If the partners have made one interposed entity election specifying a day in the 1996–1997 income year and are making another interposed entity election specifying a day in the 1999–2000 income year, print code **K** in the box at this item. The partners complete 2 of the *Interposed entity election 2000* and attach these to the *Partnership tax return 2000*.

Table

Code	Income year specified in first interposed entity election
K	1996–1997
L	1997–1998
M	1998–1999
N	1999–2000

Family trust distribution tax

A consequence of a partnership making an interposed entity election is that under section 271-30 of Schedule 2F to ITAA 1936 a special tax—FTD tax—is payable at 48.5 per cent by you on any conferral of present entitlement to, or distribution of, income or capital of the partnership to persons who are not members of the family group of the specified individual within the meaning of section 272-90 of Schedule 2F to ITAA 1936. For this purpose, a distribution of income or capital by a partnership has the meaning given in sections 272-55 and 272-60 of Schedule 2F to ITAA 1936.

Payment of FTD tax is made by mail to the

Deputy Commissioner of Taxation
GPO Box 220
Sydney NSW 2001

using a *Family trust distribution tax payment advice*. To find out how to get a copy see the inside back cover. Cheques or money orders are made payable to the Deputy Commissioner of Taxation with **Not negotiable** printed across the cheque. Tender all cheques in Australian currency. Do not send cash by mail.

Tax file number of former partnership

If this is the first tax return after a reconstitution, show the TFN of the former partnership in the box provided. For reconstituted partnerships required to lodge one return for the income year—see Reconstituted partnerships on page 18—the TFN, which has been retained for the new partnership, is shown in the box provided for the former partnership.

Final tax return

If the partnership will not be lodging tax returns in the future, attach a statement stating why and print **Final** in the box at this item. Include in the statement, details about the disposal of any assets of the partnership.

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

Hours taken to prepare and complete this return

The ATO is committed to reducing the costs involved in complying with your taxation obligations. Your response to this question helps us to monitor these costs as closely as possible. Your response to this question is voluntary.

When completing this question consider the time, rounded up to the nearest hour, that your business spent:

- reading the instructions
- collecting the necessary information to complete this tax return
- making any necessary calculations
- actually completing this tax return and/or putting the tax affairs of your business in order so the information can be handed to your tax agent.

Notes:

- Your answer relates only to the time your business spent preparing and completing your tax return, including the time of any unpaid helpers. You do not include the time spent by your tax agent, or any other person whose assistance was paid for and who is not an employee of your business
- Tax agents note: If you are preparing this tax return on behalf of your client, please consult with your client to obtain a reliable estimate.

Tax agent’s certificate

Where the tax agent is a partnership or a company, this certificate is signed in the name of the partnership or company by a person who is registered as a nominee of that partnership or company. That person’s name is also printed at this item.

Information for trusts

Some details must be lodged with the *Trust tax return 2000*. However, most information is now kept by the taxpayer or trustee.

Appointment of public officer

Where a trust carries on business in Australia or derives income from property from sources in Australia and there is no trustee who is an Australian resident, the trustee generally appoints a public officer.

The public officer is a natural person of at least 18 years of age residing in Australia. The ATO is notified of the appointment of a public officer in writing specifing the name and an address for the service of notices.

The appointment is unnecessary where the Australian income of the trust consists solely of dividends and/or interest and/or royalties subject to withholding tax, or the Commissioner has granted an exemption in writing.

Failure or neglect to appoint a public officer may result in prosecution. On conviction, a fine of up to $50 may be imposed for each day that the trustee fails or neglects to meet these requirements.

The public officer shall be answerable for the doing of all such things as are required to be done by the trustee of the trust under the Income Tax Assessment Acts or Regulations, and in the case of default is liable to the same penalties.

Lodgment of a trust tax return

Irrespective of the amount of income derived, a trust tax return is furnished by the trustees resident in Australia or by any one of them if required by the Commissioner by the notice published in the Commonwealth of Australia Gazette.

Where no trustee is resident in Australia, the trust tax return is furnished by the public officer of the trust or, where it is not required that a public officer be appointed, by an agent in Australia for the trustees.

For children's saving accounts refer to *Taxation Ruling IT 2486*. To find out how to get a copy see the inside back cover.

A copy of the *Trust tax return 2000* and related documents should be kept as there may be a charge for obtaining a copy from the ATO.

The *Trust tax return 2000* is sent to the nearest ATO —for lodgment addresses see page 16. Those tax returns which include a *Family trust election and/or revocation 2000* and/or one or more *Interposed entity election 2000* are sent to:

ATOdatacorp
Non-individuals
GPO Box 9990
Box Hill VIC 3128

Rebates/Tax offsets

A beneficiary may be entitled to certain rebates—for example, dependent spouse rebate, sole parent, medical expenses rebate, the 30% private health insurance tax offset, etc. For more information refer to *TaxPack 2000*. To find out how to get a copy see the inside back cover.

Where a trustee is assessable on behalf of a beneficiary and the beneficiary is entitled to a rebate, or the trustee itself is entitled to a rebate, include a statement showing the type and amount of rebate claimed, sign it and attach it to the *Trust tax return 2000*. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.

Note: Rebates are now referred to in ITAA 1997 as a category of tax offsets.

Private Health Insurance Tax Offsets

Where a trustee is assessable on behalf of a beneficiary, who is presently entitled but under a legal disability (refer to section 98 of ITAA 1936) and the beneficiary is entitled to the 30% private health insurance tax offset, include a separate statement showing the details listed below, sign it and attach it to the *Trust tax return 2000*. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return. The details are:

- trust name
- trust TFN
- amount of 30% tax offset claimed
- full name of taxpayer's spouse—if applicable
- spouse's taxable income—if applicable
- number of dependent children—if applicable
- health fund membership number
- health fund identification (ID) code.

For more information refer to *TaxPack 2000*. To find out how to get a copy see the inside back cover.

Medicare levy surcharge

Where a trustee is assessable, on behalf of a beneficiary who is presently entitled but under a legal disability (refer to section 98 of ITAA 1936) and the beneficiary is liable for Medicare levy surcharge (MLS), include a separate statement showing the details listed below, sign it and attach it to the *Trust tax return 2000*. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return. The details are:

- trust name
- trust TFN
- number of days liable for MLS
- full name of taxpayer's spouse—if applicable
- spouse's taxable income—if applicable
- number of dependent children—if applicable
- membership number—if applicable
- health fund identification (ID) code—if applicable.

Note: The definition of dependant for the purposes of MLS differs from the definition of dependant for other tax purposes.

Note: The taxpayer's and their spouse's taxable income for MLS purposes must be calculated ignoring the exemption under section 271-105 of Schedule 2F to ITAA 1936 for distributions on which family trust distribution tax (FTD tax) has been paid. For more information about the circumstances in which FTD tax is payable see page 27.

Special cases

All trusts lodge a trust tax return except corporate unit trusts and public trading trusts which are taxed as companies and are therefore required to lodge a *Company tax return 2000*. These entities are defined below and must apply for a company TFN.

Note: The trust loss provisions in Schedule 2F to ITAA 1936 apply to corporate unit trusts and public trading trusts. For more information about the trust loss provisions see Appendix 10 on page 108.

Corporate unit trusts

A trust is a corporate unit trust in relation to an income year if:

- it qualifies as a public unit trust
- under an arrangement, a business or property previously carried on or owned by a company is transferred to the unit trust and the shareholders of the company are entitled to take up units in the unit trust and
- the trust is either a resident unit trust or was a corporate unit trust in a previous income year.

A public unit trust for this purpose is a trust whose units are listed on a stock exchange or offered to the public or held by 50 or more persons. A unit trust is not a public unit trust if 20 or less persons hold 75 per cent or more of the beneficial interest of the income or the property of the trust.

A unit trust is a resident unit trust in relation to an income year if, at any time during the income year:

- either:
  - any property of the unit trust was situated in Australia or
  - the trustee of the unit trust carried on business in Australia and
- either:
  - the central management and control of the unit trust was in Australia or
  - one or more persons who were residents held more than 50 per cent of the beneficial interests in the income or the property of the unit trust.

Public trading trusts

A trust is a public trading trust if:

- the trust is a public unit trust
- the trust is a trading trust
- either:
  - the trust is a resident unit trust—defined as above under corporate unit trust or
  - the trust was a public trading trust in a previous income year and
- the trust is not a corporate unit trust.

A public unit trust for this purpose is a trust whose units are listed on a stock exchange or offered to the public or held by 50 or more persons except where 20 or fewer persons hold 75 per cent or more of the beneficial interests in the income or property of the trust.

In addition, a unit trust is a public unit trust if an entity exempt from tax, or a complying superannuation fund, complying approved deposit fund or a pooled superannuation trust holds a beneficial interest in 20 per cent or more of the property or income of the trust, or are paid or credited with 20 per cent or more of the moneys paid by the trust to the unit holders, or an arrangement exists whereby the 2 situations just outlined could have been obtained.

A trading trust for this purpose is a trust that carries on a business that does not consist wholly of:

- investing in land for rental or
- investing or trading in unsecured loans, securities, shares, units in a unit trust, futures contracts, forward contracts, interest rate swap contracts, currency swap contracts, forward exchange rate contracts, forward interest rate contracts, life insurance policies, or rights or options in any of these.

Australian Taxation Office

Trust tax return 2000

1 July 1999 to 30 June 2000

Have you attached any 'other attachments'?

Tax file number

NAT 0660-3.2000

Notes to assist in the preparation of this tax return are provided in the *Partnership and trust tax returns 2000 instructions (P and T 2000 instructions)* available from the Australian Taxation Office (ATO). Post or deliver this tax return to the ATO by 31 October 2000. Addresses are shown in the instructions.

Name of trust

Previous name of trust
If the trust name has changed, please print it **exactly** as shown on the last notice of assessment or the last tax return lodged.

Current postal address
If the address has not changed, please print it **exactly** as shown on the last notice of assessment or the last tax return lodged.

Suburb or town | State | Postcode

Country—if not Australia

Postal address on previous tax return
If the address has changed, please print your previous address **exactly** as shown on the last notice of assessment or the last tax return lodged.

Suburb or town | State | Postcode

Country—if not Australia

Full name of the trustee to whom notices should be sent

- If the trustee is an individual, print details here.

Title—for example, Mr, Mrs, Ms, Miss

Surname or family name | Given names

- If the trustee is a company, print details here including Australian Company Number (ACN) or Australian Registered Body Number (ARBN).

Name

ACN or ARBN*

* Cross out whichever is not applicable.

Daytime contact telephone number Area code | Telephone number

Family trust/interposed entity election status If the trustee(s) has/have made or is/are making a family trust election and/or one or more interposed entity elections for 1999–2000 or an earlier income year, print the appropriate **election status code** for the trust and complete and attach a ***Family trust election and/or family trust revocation 2000*** and/or ***Interposed entity election 2000***. Refer to the *P and T 2000 instructions*.

Type of trust Print the code representing the **type** of trust. Refer to the *P and T 2000 instructions*.

Print **X** if also an item 1.5 charitable trust in s50–5 of ITAA 1997.

If code **D**, write the date of death. Day Month Year

Is any tax payable by the trustee? Refer to the *P and T 2000 instructions*. Print **Y** for yes or **N** for no.

Final tax return Refer to the *P and T 2000 instructions*.

Electronic funds transfer (EFT)—Do you want to use EFT for your refund this year? Print **Y** for yes or **N** for no.

If **Y** (yes) complete the account details. Do not provide details if they are the same as last year.

BSB number | Account number

Account name

Important: Before making this declaration please check to ensure that all income has been disclosed and the tax return is true and correct in every detail. If you are in doubt about any aspect of the tax return, place all the facts before the Australian Taxation Office. The income tax law imposes heavy penalties for false or misleading statements in tax returns.

Declaration: I declare that:

- the particulars shown in this tax return and in the accompanying documents are true and correct in every detail and disclose a full and complete statement of the total income derived from all sources in **and out of** Australia during the income year; and
- the trust has the necessary receipts and/or other records, or expects to obtain the necessary written evidence within a reasonable time of lodging this tax return.

Hours taken to prepare and complete this return. Refer to the *P and T 2000 instructions*. Do not include tax agent's time.

Signature

Date Day Month Year

This declaration and all attached documents must be signed by a trustee or public officer.

Tax agent's certificate Refer to the *P and T 2000 instructions*

I,

having charged a fee for preparing or assisting in the preparation of this return, hereby certify that this return has been prepared in accordance with the information supplied by the taxpayer.

Agent's signature

Day Month Year

Client's reference

ATO use only

Contact name | Area code | Telephone number | Agent's reference number

Indics **X**

F

IN-CONFIDENCE—when completed

Name of trust

The trust name shown should be consistent from year to year. If the name has changed the ATO must be advised.

The full name of the trustee is shown, where required, in the boxes provided. Do NOT show particulars of trustees or administrators at this item.

Previous name of trust

If the trust name has changed, print it exactly as shown on the last notice of assessment or the last tax return lodged.

Current postal address

Show the current postal address for the service of notices.

If the address is unchanged since the last tax return was lodged, print it exactly as shown on the last notice of assessment or the last tax return lodged.

Postal address on previous tax return

If the address has changed, print it exactly as shown on the last notice of assessment or the last tax return lodged.

Full name of the trustee

Show the surname or family name and given names of the trustee to whom notices should be sent. If the trustee is a company, show the name of the company and the ACN or ARBN.

If the trust comprises the property of a bankrupt and the estate is being administered by the Official Receiver, print **Official Trustee in Bankruptcy** in the box provided for the company name. The individual name box is left blank.

Daytime contact telephone number

Print a telephone number on which the trustee can be contacted during business hours.

Family trust/interposed entity election status

A trust may become a family trust by the trustee(s) making a family trust election under section 272-80 of Schedule 2F to ITAA 1936 specifying an individual. The making of a family trust election is optional.

Also, the trustee(s) of a trust may make an interposed entity election under section 272-85 of Schedule 2F to ITAA 1936 to include the trust in the family group of an individual specified in a family election made by another trust under section 272-80 of Schedule 2F to ITAA 1936 (refer to subdivision 272-D of Schedule 2F to ITAA 1936). The making of an interposed entity election is optional.

Note: The trustee(s) of a fixed trust may not need to make an interposed entity election if at the time of the distribution, some or all of the individuals specified in the family trust election, the family members of that individual and family trusts of that same individual have fixed entitlements, directly or indirectly, and for their own benefit, to all the income and capital of the fixed trust or partnership (refer to subsection 272-90(5) of Schedule 2F to ITAA 1936).

Election status codes

Print the code in the box at this item from Table 1 below for the income year which has been specified in the family trust election made since the lodgment of the 1998–1999 tax return for the trust. If the trustee(s) of the trust has not made nor is making a family trust election specifying any of those income years, do not choose a code from Table 1.

Table 1

Code	Income year specified in family trust election
C	1996–1997
D	1997–1998
E	1998–1999
F	1999–2000

Print the code in the box at this item from Table 2 below for the income year which has been specified in the interposed entity election made since the lodgment of the 1998–1999 tax return for the trust —if only one interposed entity election is made—or the earliest income year which has been specified in all of the interposed entity elections made since the lodgment of the 1998–1999 tax return for the trust —if more than one interposed entity election is made. If the trustee(s) of the trust has not made nor is making an interposed entity election specifying any of those income years, do not choose any code from Table 2.

Table 2

Code	Income year specified in first interposed entity election
K	1996–1997
L	1997–1998
M	1998–1999
N	1999–2000

Revocation

Print code **R** in the box at this item if the family trust election made by the trust is being revoked from a time in the 1999–2000 income year in accordance with subsections 272-80(6) to (8) of Schedule 2F to ITAA 1936.

Example 1:

The trustee has made a family trust election specifying the 1999–2000 income year and an interposed entity election specifying a day in the 1996–1997 income year in accordance with the new transitional provisions—see **What's new** on page 3—and is making another interposed entity election specifying a day in the 1999–2000 income year. Print code **FK** in the box at this item. The *Family trust election and/or family trust revocation 2000* and 2 of the *Interposed entity election 2000* are completed by the trustee and included in the *Trust tax return 2000*.

Example 2:

The trustee previously made and lodged a family trust election specifying the 1995–1996 income year, is revoking the family trust election from a day in the 1999–2000 income year and has not made an interposed entity election. Print code **R** in the box at this item. The *Family trust election and/or family trust revocation 2000* is completed and included in the *Trust tax return 2000*.

Note: A family trust election can only be revoked by a trust which was a fixed trust at the beginning of the specified income year and which satisfies all of the conditions in subsections 272-80(6) to (8) of Schedule 2F to ITAA 1936.

Family trust distribution tax

A consequence of a trust making an interposed entity election or a family trust election is that under section 271-30 of Schedule 2F to ITAA 1936 a special tax—FTD tax—is payable at 48.5 per cent by you on any conferral of present entitlement to, or distribution of, income or capital of the partnership or trust to persons who are not members of the family group of the specified individual within the meaning of section 272-90 of Schedule 2F to ITAA 1936. For this purpose, a distribution of income or capital by a partnership or trust has the meaning given in sections 272-45 and 272-60 of Schedule 2F to ITAA 1936.

Payment of FTD tax is made by mail to the

Deputy Commissioner of Taxation
GPO Box 220
Sydney NSW 2001

using a *Family trust distribution tax payment advice*. To find out how to get a copy see the inside back cover. Cheques or money orders are made payable to the Deputy Commissioner of Taxation with **Not negotiable** printed across the cheque. Tender all cheques in Australian currency. Do not send cash by mail.

Type of trust

Print the code in the box to the right of this item from the list below which best describes the type of trust for which the *Trust tax return 2000* is being lodged. Descriptions of the type of trusts listed in Table 3 are contained in Table 4.

Note: If the type of trust making the distribution is unknown, contact the trustee of that trust.

Table 3

Code	Description
D	Deceased estate
F	Fixed trust—other than a fixed unit trust or a public unit trust described in **U**, **P** or **Q**
H	Hybrid trust
S	Discretionary trust—where the main source of income of the trust is from service and/or management activities
T	Discretionary trust—where the main source of income of the trust is from trading activities
I	Discretionary trust—where the main source of income of the trust is from investment activities
M	Cash management unit trust
U	Fixed unit trust—other than a public trust described in **P** or **Q**
P	Public unit trust (listed)—other than a cash management unit trust
Q	Public unit trust (unlisted)—other than a cash management unit trust.

Table 4

Deceased estate trust

See Appendix 11 on page 109.

Fixed trust

A trust in which persons have fixed entitlements—as defined in section 272-5 of Schedule 2F to ITAA 1936—to all of the income and capital of the trust at all times during the income year.

Hybrid trust

A trust which is not a fixed trust but in which person(s) have fixed entitlements—as defined in section 272-5 of Schedule 2F to ITAA 1936—to income or capital of the trust during the income year.

Discretionary trust

A trust which is neither a fixed trust nor a hybrid trust and under which person(s) benefit from income or capital of the trust upon the exercise of a discretion by person(s), usually the trustee.

Fixed unit trust

A fixed trust in which interest in the income and capital of the trust are represented by units.

Public unit trust

A fixed unit trust which is a widely held unit trust—as defined in section 272-105 of Schedule 2F to ITAA 1936—at all times during the income year.

Public unit trust—listed

A public unit trust in which any of its units were listed for quotation in the official list of a stock exchange in Australia or elsewhere during the income year.

Public unit trust—unlisted

A public unit trust in which none of its units were listed for quotation in the official list of a stock exchange in Australia or elsewhere during the income year.

Note: Where the trust is also an item 1.5 charitable trust in section 50-5 of ITAA 1997, print **X** in the centre box at this item.

Is any tax payable by the trustee?

Trust income is taxed in the hands of the beneficiary or in the hands of the trustee. To ascertain whether tax is assessable to the trustee see Appendix 13 on page 116. If the trust has a family trust election and/or an interposed entity election in force, also see FTD tax on page 27 to ascertain whether FTD tax is assessable to the trustee. If tax is payable by the trustee print **Y** for yes in the box at this item, otherwise print **N** for no.

Request for non-taxable advice

The beneficiary and/or trustee pays tax in relation to the net income of the trust. Net income means the total assessable income calculated as if the trustee was a resident taxpayer, less all allowable deductions, except deductions for income equalisation deposits and/or farm management deposits. In the case of any beneficiary with no beneficial interest in the trust corpus, past losses are required to be met out of corpus.

Where the trustee is not assessed on income and a non-taxable advice is required, attach a request headed *Request for a non-taxable advice* to the *Trust tax return 2000* . Include the trust name and TFN with the details, sign it and attach it to the tax return. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.

Final tax return

If the trustee does not expect to lodge further tax returns, print **Final** in the box at this item.

Attach a statement to the *Trust tax return 2000* showing:

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

Electronic funds transfer

Direct refund

The ATO can deposit a tax refund due to a trustee directly into a bank, credit union or building society account of your choice using electronic funds transfer (EFT)—for example, a tax agent's account.

Note: Care should be taken when completing EFT details as payment of any refund is made to the account specified.

If direct refund is not required

If the trustee does not want to use EFT, or wishes to cancel the existing EFT authority, print **N** for no in the **Do you want to use EFT for your refund this year?** box.

To use direct refund

Print **Y** for yes in the **Do you want to use EFT for your refund this year?** box.

If the trustee received a direct refund last year and the account details are the same there is no need to provide them again.

If the trustee did not use EFT last year or the account details are different complete the following:

- print the Bank State Branch (BSB) number in the **BSB Number** box. This 6-digit number identifies the financial institution. Do not include spaces, dashes or hyphens in the number.
- print the account number in the **Account Number** box. You cannot use an account number with more than 9 characters. Do not include spaces in the account number.
- print the account name, as shown on the account records, in the **Account Name** box. Do not print the account type—for example savings, cheque or mortgage offset. Include spaces between each word and between initials in the account name. Joint accounts are acceptable. The account name should not exceed 32 characters.

Direct debit

The trustee can pay their tax directly from their account using EFT. A trustee can provide separate account details for direct debit and direct refund. However, an account for direct debit should contain the trustee's name.

To use direct debit

If the trustee wants to use direct debit for the first time, phone the EFT helpline on **1800 802 308** to get a *Direct debit request*, complete it and send it to the address shown on the form. The amount to be debited from the account and the date the payment is to be made must also be provided. Allow at least 10 working days for processing.

If the trustee used direct debit last year and the account details provided are correct you do not need to make another request. The notice of assessment will display a message that the tax debt will be debited from the trustee's nominated account on the due date.

If the trustee's account details have changed you will need to complete a *Direct debit request* if you want to use direct debit this year.

A *Direct debit request* remains in force until it is cancelled. Cancellations must be received 5 business days before the payment date.

There is no provision for a direct debit election on the tax return. The *Direct debit request* form is available in the EFT, Direct Debit and Direct Refund section of the Tax Agent Portfolio. The form is also available as part of ELS software packages.

Hours taken to prepare and complete this return

The ATO is committed to reducing the costs involved in complying with your taxation obligations. Your response to this question helps us to monitor these costs as closely as possible. Your response to this question is voluntary.

When completing this question consider the time, rounded up to the nearest hour, that your business spent:

- reading the instructions
- collecting the necessary information to complete this tax return
- making any necessary calculations
- actually completing this tax return and/or putting the tax affairs of your business in order so the information can be handed to your tax agent.

Notes:

- Your answer relates only to the time your business spent preparing and completing your tax return, including the time of any unpaid helpers. You do not include the time spent by your tax agent, or any other person whose assistance was paid for and who is not an employee of your business
- Tax agents note: If you are preparing this tax return on behalf of your client, please consult with your client to obtain a reliable estimate.

Tax agent's certificate

Where the tax agent is a partnership or a company, this certificate is signed in the name of the partnership or company by a person who is registered as a nominee of that partnership or company. That person's name is also printed at this item.

1 Description of main business activity

Industry code **A**

2 Status of business—print X in one box only. Refer to the *P and T 2000 instructions*.

Multiple business **B1** Ceased business **B2** Commenced business **B3**

3 Did the partnership / trust sell any goods or services using the Internet?

Q Print **Y** for yes or **N** for no. **F**

Income—excluding foreign income

4 Business income and expenses

Business income

	Primary production		Non-primary production		Totals	
Gross prescribed payments system income			**B**			
Gross reportable payments system income	**C**		**D**			
Assessable government industry payments	**E**	CODE	**F**	CODE		
Other business income	**G**		**H**			**F**
Total business income						

Expenses

	Primary production		Non-primary production		Totals	
Contractor, sub-contractor and commission expenses					**C**	
Superannuation expenses					**D**	
Cost of sales					**E**	
Bad debts					**F**	
Lease expenses					**G**	
Rent expenses					**H**	
Total interest expenses					**I**	
Total royalty expenses					**J**	
Depreciation expenses					**K**	
Motor vehicle expenses					**L**	CODE P/ship only
Repairs and maintenance					**M**	
All other expenses					**N**	
Total expenses—labels **C** to **N**					**O**	

Reconciliation items

	Primary production		Non-primary production		Totals	
Add: Income reconciliation adjustments					**A**	
Add: Expense reconciliation adjustments					**B**	
Less: Drought investment allowance					**U**	
Net income or loss from business	**Q**		**R**		**S**	

Income details requested on page 2 of the tax return are for Australian sourced income only. Show foreign source income at item **19—Attributed foreign income** and/or item **20—Other assessable foreign source income**.

1 Description of 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, electrical goods retailer. Do not use general descriptions such as farmer, manufacturer or wholesaler.

Industry code—label A

Show at label **A** the appropriate industry code for your main business. If you have applied for an ABN your industry code appears on your *ABN—notification of registration*. If you have not applied for an ABN or have not received notification of your ABN, look up your code in the *Business industry codes 2000*. To find out how to get a copy see the inside back cover.

If you have changed your main business activity since receiving your *ABN—notification of registration* your industry code number is no longer valid. Describe and code the business activity as accurately as possible. The industry code is made up of 5 digits. For example, where the industry is 'dairy cattle farming', the code on the tax return is shown as '01300'.

An incorrect code may result in clients not receiving a necessary service or material from the ATO, or could lead to incorrect targeting of audits. In addition, the ATO provides the Australian Bureau of Statistics (ABS) with aggregated client records for the preparation of national accounts and related economic surveys. Industry codes are an important part of the information the ATO gives to the ABS.

2 Status of business—labels B1, B2, or B3

Print **X** in box **B1**, **B2** or **B3** showing the appropriate description for the status of the business. Where more than one selection applies, select the first applicable option. If none of the selections apply, leave boxes **B1** to **B3** blank.

3 Did the partnership/trust sell any goods or services using the Internet?—label Q

Internet trading—label Q

Answer **Y** (yes) at this item if you have an

Internet presence and one or more of the following applies:

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

Answer **N** (no) at this item if you do not have an Internet presence, or if you do have an Internet presence and all of the following apply:

- you do not accept orders via the Internet
- you do not accept payment via the Internet and
- you do not fulfil orders via the Internet.

Terms explained

Internet presence:

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

- the use of a web page/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—for example, banner advertising on a web page not maintained by you, etc.

Accept orders via the Internet:

Accepting orders via the Internet includes the following:

- orders received via a form on a web page
- orders received via email
- orders received by other means delivered via the Internet.

It does not include orders received by postal mail, facsimile, telephone or in person as a result of advertising via the Internet.

Accept payment via the Internet:

Accepting payment via 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 via the Internet by means of web page forms, email or other.

It does not include acceptance of credit card, charge card, or other payment card details received by postal mail, facsimile, telephone or in person. This is regardless of whether the goods or services were offered, ordered or delivered via the Internet.

Fulfil orders via the Internet:

Fulfilment of orders via the Internet includes:

- provision of Internet access and related services —such as email, web page hosting, web site development
- provision of access to Internet services
- delivery of software and/or digitised goods—such as music, news article via the Internet, by email downloaded from a web page or via an FTP site, etc.

It does not include providing digitised goods, software, etc. on floppy disk or other medium, delivered by conventional postal services.

4 Business income and expenses

The amounts included in the business income boxes—labels **C** to **G** and **B** to **H**—and expenses—labels **C** to **N**—are accounting system amounts. These are shown or included on the business profit and loss statements and form the basis of the calculation of the business net profit or loss. Adjustments to these accounting amounts for tax purposes are made at labels **A**, **B** and **U** in **Reconciliation items**.

Business income is split into:

- PPS income—label **B**
- RPS income—label **C** and/or label **D**
- assessable government industry payments—label **E** and/or label **F**
- other business income—label **G** and/or label **H**.

Only include at item **4,** business income amounts derived directly by the partnership or trust. Distributions received from other partnerships and trusts are included at item **8—Partnerships and trusts**.

Income and expenses are divided into 3 columns:

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

The items with labels must be completed in all cases where appropriate.

Business income

Gross prescribed payments system income—label B

Show at label **B** all gross income derived directly by the partnership or trust to which PPS applies. Include only PPS income derived directly by the partnership or trust, not any distributed from other partnerships or trusts. Gross PPS income is the total income derived including any amounts of tax deducted.

Note: This item is completed where a claim for PPS credit is made at item **5—Prescribed payments system credit**, label **T** on page 3 of the *Partnership tax return 2000* or the *Trust tax return 2000*, and includes that amount.

The gross income and any related credits are declared in the tax return for the entity that actually derived the income.

Gross reportable payments system income

Primary production—label C

Non-primary production—label D

Show at label **C** and/or label **D** gross income derived directly by the partnership or trust to which RPS applies. Include only RPS income derived directly by the partnership or trust, not any distributed from other partnerships or trusts. Gross RPS income is the total income derived from primary production at label **C** and/or non-primary production at label **D** including any amounts of tax deducted.

Note: This item is completed where a claim for RPS credit is made at item **6—Reportable payments system credit**, label **V** on page 3 of the *Partnership tax return 2000* or the *Trust tax return 2000*, and includes that amount.

The gross income and any related credits are declared in the tax return for the entity that actually derived the income.

Assessable government industry payments

Primary production—label E

Non-primary production—label F

Show at label **E** and/or label **F** any amounts of payments derived from all government sources in relation to primary production and/or non-primary production which are assessable income—for example:

- bounties
- diesel fuel rebates
- employee subsidies
- export incentives grants

If this amount includes a diesel fuel rebate, print **D** in the CODE box at the right of label **E** for primary production and/or in the CODE box at the right of label **F** for non-primary production.

Other business income

Primary production—label G

Non-primary production—label H

Show at label **G** and/or label **H** 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.

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

This amount excludes amounts included at labels **B**, **C**, **D**, **E** and **F**.

Expenses

Contractor, sub-contractor and commission expenses—label C

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

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

Do not include the following at label **C**:

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

Record retention—Keep the following:

- name and address of the payee
- nature of the services provided
- the amount paid.

Superannuation expenses—label D

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

Employers are entitled to a deduction for contributions made to a superannuation, provident, benefit or retirement fund, or retirement savings account (RSA) for the benefit of eligible employees, or on the employee's death for the benefit of the dependants of the employee. The purpose of the contributions must be to provide for individual personal benefits, pensions or retiring allowances. A deduction is allowable in the income year 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 contributions and, therefore, are not tax deductible.

Contributions paid by an employer for eligible employees (other than an exempt visitor) 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 2000 these limits are as follows:

Age in years	Deduction limit
under 35	$10 929
35 to 49	$30 356
50 and over	$75 283

The employee's age limit is determined at the end of the last day of the income year 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 (SHAR) are allowable deductions up to $1200 per employee.

Cost of sales—label E

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

If the cost of sales account is in credit at the end of the income year—that is, a negative expense—print **L** in the box to the right of the amount. Do not show the amount in brackets.

Refer to *Taxation Ruling TR 98/7* which explains the circumstances in which packaging items held by a manufacturer, wholesaler or retailer are 'trading stock' as defined in section 70-10 of ITAA 1997. To find out how to get a copy see the inside back cover.

Bad debts—label F

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

Note:

- recovery of bad debts is shown at **Primary production**, label **G—Other business income**—and/or **Non-primary production**, label **H—Other business income**.
- a deduction for bad debts is not allowable unless the debt which is bad has previously been included in assessable income, or is for money lent in the ordinary course of the business of the lending of money by a partnership or trust carrying on that business. Under the trust loss provisions in Schedule 2F to ITAA 1936, rules effective from 20 August 1996 have to be satisfied by a trust before the trustee can deduct bad debts or debt/equity swap amounts. For more information about the trust loss provisions see Appendix 10 on page 108.

- do not include accounting provisions for doubtful debts at label **F**. These are shown at label **N—All other expenses**, then added back at label **B—Expense reconciliation adjustments**. To calculate the amount of the expense reconciliation adjustment refer to the Reconciliation statement at Worksheet 2 on pages *77–78*.
- before it can be claimed, a bad debt must be bad and not merely doubtful. The deduction depends upon the facts in each case and where applicable, the action taken for recovery. For more information refer to *Taxation Ruling TR 92/18*. To find out how to get a copy see the inside back cover.

A deduction can be claimed for:

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

The deduction is allowable for the difference between the amount of the debt extinguished and the greater of the market value of the equity or the value at which the equity is recorded in the creditor's books at the time of issue. The market value of the equity is the price quoted on the stock exchange or where the equity is not listed, the net asset backing of the equity.

Where the 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.

A bad debt deduction is only allowable where the partnership or trust claiming the deduction can satisfy either:

- a continuity of ownership test for the income year in which the deduction was claimed and the income year in which the debt was incurred (refer to subdivision 165-C of ITAA 1997) or
- the same business test (refer to subdivision 165-E of ITAA 1997). For the operation of this test refer to *Taxation Ruling TR 1999/9*. To find out how to get a copy see inside the back cover.

Deductions for bad debts may also be reduced by the commercial debt forgiveness provisions—see Appendix 4 on page 97.

A deduction may be allowable in respect of a debt for an equity swap by the company, if the provisions of sections 63E to 63F of ITAA 1936 are satisfied.

Record retention—If the partnership or trust writes off bad debts during the income year, keep a statement for all debtors in respect of which a write-off occurred showing:

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

Lease expenses—label G

Show at label **G** the lease expenses incurred through both finance and operating leases on leasing plant and equipment—including motor vehicles. Exclude the cost of leasing real estate.

Note: New measures dealing with lease assignments may affect the amount of lease expenses within Australia—see **What's new?** on page 13.

Luxury car leasing

Luxury car leasing arrangements, excluding those for trading stock and genuine short-term hire arrangements, entered into after 7.30p.m. AEST, 20 August 1996, are treated under Division 42A of Schedule 2E to ITAA 1936 as a notional sale and loan transaction.

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 income year in which a lease commences for a car. The luxury car depreciation limit for the 1999–2000 income year is $55 134.

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 the 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 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.

These 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:

Example 1:
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. Thus the depreciation balancing charge provisions may need to be considered to determine any assessable or deductible amount for the lessee.

Example 2:
Should a lessee acquire the car and an amount is paid by or on behalf of the lessee to acquire the car, a deduction is not allowable to the lessee. The lessee will continue to be the owner of the car until it is disposed of. However subdivision 20-B of ITAA 1997 may bring into assessable income at the time of disposal, certain profits made on disposal of the previously leased car. The adjustments for taxation purposes are recorded at label **A—Income reconciliation adjustments**.

Record retention—If the partnership or trust claims a deduction for the cost of leasing property keep the following:

- a description of the property leased
- full particulars of the lease expenses for each item of property—including motor vehicles—showing:
  - to whom the payments were made
  - the terms of the payments including details of any prepayments or deferred payments
  - if any assignment, defeasance or re-direction to pay the payments were entered into, full particulars of those arrangements, including to whom the payments were made
- details of any non-business use and
- any documentation on or relating to the lease of the property.

Rent expenses—label H

Show at label **H** the expenditure incurred, as a tenant, on the rental of land and buildings which are used in the production of income.

Total interest expenses—label I

Show at label **I** the interest incurred on money borrowed within Australia and overseas to acquire income-producing assets, to finance business operations or to meet current business expenses. Do not include interest expenses claimable against rental income. These expenses are shown at item **9—Rent**, label **G—Interest deductions**.

Note:

- an amount of tax—withholding tax—generally is required to be deducted from interest paid or payable to non-residents, and is remitted to the ATO. For more information phone the Investment and royalty withholding taxes helpline on **13 2867**.
- the thin capitalisation rules apply to reduce certain interest deductions paid or payable to foreign related parties. The thin capitalisation rules place a limit, by means of a specified non-arm's length debt to equity funding ratios, on the amount of interest expense payable on related party debt that can be deducted for Australian tax purposes. For more information see Appendix 3 on page 94.
- interest may not be deductible in certain situations—for example, if it has been incurred for private or domestic purposes.

Show the amount of interest not allowable at label **B—Expense reconciliation adjustments**.

Record retention—If interest is paid to non-residents, keep the following:

- name and address of recipient(s)
- amount of interest paid or credited
- amount of withholding tax deducted and the date on which it was remitted to the ATO.

Total royalty expenses—label J

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

Note: An amount of tax—withholding tax—generally is required to be deducted from royalties paid or payable to non-residents, and is remitted to the ATO. For more information phone the Investment and royalty withholding taxes helpline on **13 2867**.

Record retention—Keep the following:

- name and address of recipient(s)
- amounts paid or credited
- nature of the benefit derived—for example, a copy of the royalty agreement
- details of tax deducted where applicable and the date on which it was remitted to the ATO.

For more information see Appendix 2 on page 93.

Depreciation expenses—label K

These are book depreciation expenses for depreciable assets. The amount shown at label **K** does not include profit on sale of depreciation or loss on sale of fixed assets. Profit on the sale of depreciable assets is shown at label **G—Other business income** for primary production assets and at label **H—Other business income** for non-primary production assets. Loss on the sale of depreciable assets is shown at label **N—All other expenses**.

Tax depreciation may differ from accounting or book depreciation. The reconciliation between accounting and tax depreciation is shown at label **B—Expense reconciliation adjustments**. The reconciliation between accounting and tax profit for any profit on the sale of depreciated assets is shown at label **A—Income reconciliation adjustments**.

For more information on tax depreciation see label **B—Expense reconciliation adjustments** on page 37.

Note: New measures may affect the amount of depreciation expenses relating to:

- GST-related expenditure—see **What's new?** on page 6
- the depreciation system—see **What's new?** on page 9
- lease assignments—see **What's new?** on page 13.

Motor vehicle expenses—label L

Show at label **L** motor vehicle running expenses only. These expenses include fuel, repairs, registration fees and insurance premiums. They do not include:

- lease expenses—shown at label **G**
- interest expenses—shown at label **I**
- depreciation expenses—shown at label **K**.

A motor vehicle for the purposes of label **L** is a motor car, station wagon, panel van, utility truck or other road vehicle designed to carry a load of less than one tonne or fewer than 9 passengers.

For more information about retention of records refer to *TaxPack 2000*. To find out how to get a copy see the inside back cover.

(Partnerships only)

Special substantiation rules, in respect of car expenses, apply to partnerships in which at least one partner is an individual. Trusts do not complete the code box at label **L**.

Where there is an amount shown at label **L**, print the code in the CODE box from the list below which determines the method used to claim motor vehicle expenses or the type of motor vehicle applicable to the partnership. Where you have more than one vehicle and you use a different method to claim motor vehicle expenses for each vehicle, use the code applicable to the largest claim.

Method used to claim motor vehicle expenses

Cents per km	**S**
12% of original price	**T**
1/3 of actual expenses	**O**
Logbook	**B**

Type of motor vehicle

Motor cycle	**N**
Taxi taken on hire	**N**
Road vehicle designed to carry a load of one tonne or more, or 9 or more passengers	**N**

Any adjustment for tax purposes to the motor vehicle expenses included in the profit and loss statement is shown at label **B—Expense reconciliation adjustments.** To calculate the amount of the expense reconciliation adjustment refer to the Reconciliation statement at Worksheet 2 on page 77–78.

Repairs and maintenance—label M

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

Note: Any item of a capital nature shown at label **M** is written back at label **B—Expense reconciliation adjustments**.

Repairs

The partnership or trust 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 an extent that is reasonable in the circumstances.

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

For more information on deductions for repairs refer to *TaxPack 2000* and *Taxation Ruling TR 97/23*. To find out how to get a copy see the inside back cover.

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

All other expenses—label N

Show at label **N** the total of all other expenses for the income year which have not already been included at labels **C** to **M**—for example, travel expenses.

Note: Capital and other non-deductible items included at label **N** are written back at label **B—Expense reconciliation adjustments**.

Total expenses—label O

Show at label **O** the total of all expense items shown at labels **C** to **N**. Print **L** to the right of the amount only if there is a loss at label **E—Cost of sales** which exceeds the total of all other expenses.

Reconciliation items

The reconciliation adjustments reconcile operating profit or loss as shown in the profit or loss account with the net income or loss for tax purposes. For example, reconciliation adjustments may include depreciation recouped on the disposal of assets and overseas interest deductions disallowed under the thin capitalisation rules.

Income reconciliation adjustments—label A

Show at label **A** the net income related reconciliation adjustment. The amounts included here fall into 2 classes that either increase or reduce the net adjustment:

- income add backs—amounts not included as income in the profit and loss statement but which form part of assessable income, including timing adjustments. These items increase the total amount shown at label **A**
- income subtractions—amounts that were included as income in the profit and loss statement but which are not assessable income for income tax purposes, including timing adjustments. These items reduce the total amount shown at label **A**.

Where the income subtractions exceed the income add backs, the total is a negative amount. Print **L** in the box to the right of the amount.

To calculate the amount of the income reconciliation adjustment see the Reconciliation statement at Worksheet 2 on pages 77–78.

Profits on disposal of depreciable assets

Where there is a profit on disposal of depreciable assets an adjustment is included at label **A**. A profit on the sale of depreciable assets included in the accounts may differ from the amount of recouped depreciation shown as assessable income. For tax purposes there are alternative treatments provided for assessable balancing adjustments on the sale of depreciable assets.

There are changes to assessable balancing adjustments and their alternative treatments where the sale of the depreciable asset occurs after 11.45a.m. AEST, 21 September 1999. For more information, see **What's new?** on page 9 or refer to the *Guide to depreciation*. To find out how to get a copy see the inside back cover.

Note: New measures may affect the amount of depreciation expenses relating to GST Direct Assistance Certificate and GST-related expenditure—see pages 5 and 6.

The Reconciliation statement at Worksheet 2 on pages 77–78 includes sections for depreciation recouped on the disposal of depreciable assets and profit on the sale of depreciable assets included in the accounts. The account, profit on sale of depreciable assets, is also shown at label **G** and label **H—Other business income**.

Expense reconciliation adjustments—label B

Show at label **B** the net amount for expense related reconciliation adjustments. The amounts included here increase or reduce the net adjustment:

- expense add backs—amounts that were included as expenses in the profit and loss statement but which are not allowable deductions, including timing adjustments. These items increase the total amount shown at label **B**
- expense subtractions—amounts not included as expenses in the profit and loss statement but which are allowable deductions for income tax purposes, including timing adjustments. These items reduce the total amount shown at label **B**. There is no adjustment for drought investment allowance (DIA) at label **B**. The DIA deduction is shown at label **U—Drought investment allowance**.

Where the expense subtractions exceed the expense add backs, the total is a negative amount. Print **L** in the box to the right of the amount.

To calculate the amount of the expense reconciliation adjustment see the Reconciliation statement at Worksheet 2 on pages 77–78.

Depreciation deducted for tax purposes

The depreciation expense in the profit and loss account is shown at label **K—Depreciation expenses**. However, this expense is adjusted for income tax purposes in the reconciliation statement. Tax depreciation is based in general on the cost to you of the machinery, equipment and facilities that are used to produce assessable income or that are installed ready for use and held in reserve ready for that purpose. Accounts and tax depreciation rates may differ, and the tax deductible amount may be different to the depreciation expense in the profit and loss account.

Changes to the depreciation system that occurred from 11.45a.m. AEST, 21 September 1999 impact on the method of calculating tax depreciation. For plant purchased before 11.45a.m. AEST, 21 September 1999 which costs $300 or less, or its effective life is less than 3 years, the full amount of the cost of an item of depreciable plant may be claimed as an outright deduction, and an expense reconciliation adjustment may be needed to increase the depreciation claim.

For an explanation of the debt forgiveness rules and undeducted costs which are reduced where debt forgiveness is applicable see Appendix 4 on page 97.

To work out your depreciation for income tax purposes see the Depreciation worksheet at Worksheet 1 on page 76. To calculate the adjustments to reconcile depreciation charged in the accounts and depreciation deductible for tax purposes see the Reconciliation statement at Worksheet 2 on pages 77–78.

Note: New measures may affect the amount of depreciation deducted relating to:

- GST-related expenditure—see **What's new?** on page 6
- the depreciation system—see **What's new?** on page 9
- lease assignments—see **What's new?** on page 13.

For more information refer to the *Guide to Depreciation*. To find out how to get a copy see the inside back cover.

Tax exempt entities that become taxable

Section 61A of ITAA 1936 (inserted by TLAA (No. 1) 1999) contains measures that affect the way in which depreciation deductions and balancing adjustments are calculated in respect of the depreciable plant of a tax exempt entity which became taxable earlier than 3 July 1995 but not earlier than the start of the income year in which 1 July 1988 occurred. Section 61A ensures that depreciation deductions and balancing adjustments in respect of such transitional plant are based on the plant's notional written down value as if it had always been used by the transition entity wholly for the purposes of producing assessable income.

Division 57 in Schedule 2D to ITAA 1936 contains measures that, amongst other things, affect the way in which depreciation deductions and balancing deductions are calculated in respect of the depreciable plant of a tax exempt entity which became taxable on or after 3 July 1995. Subdivisions 57-I and 57-K ensure that depreciation deductions and balancing adjustments in respect of such transitional plant are based on the plant's notional written down value as if it had always been used by the transition entity wholly for the purposes of producing assessable income.

For more information see **What's new?** on page 9.

Losses on disposal of depreciable assets

Where the profit and loss account shows the amount of a loss on the sale of depreciable assets, that amount is shown at label **N**—**All other expenses**. The tax loss on the disposal of depreciable assets may differ from the loss included in the accounts, and such a difference is shown at label **B**—**Expense reconciliation adjustments**.

The Reconciliation statement at Worksheet 2 on pages 77–78 includes sections for tax loss on the disposal of depreciable assets and loss on the sale of depreciable assets included in the accounts.

Note: New measures may affect the amount of depreciation deducted relating to:

- GST-related expenditure—see **What's new?** on page 6
- the depreciation system—see **What's new?** on page 9
- lease assignments—see **What's new?** on page 13.

For more information refer to the *Guide to depreciation*. To find out how to get a copy see the inside back cover.

Drought investment allowance—label U

The Drought Investment Allowance (DIA) is the only investment allowance deduction for the 1999–2000 income year. The allowance provides a deduction of 10 per cent of the expenditure on the cost of acquisition or construction on new items of 'drought mitigation property' as follows:

- fodder storage facilities—for example, buildings or structures used exclusively for the storage of grain, hay or fodder
- livestock drinking water storage facilities—for example, dams, earth tanks, underground tanks, above ground tanks, or the bases, stands, or covers of these tanks, approved by a federal, state or territory authority for primary industry or an approved farm water resource consultant
- water transport facilities equipment—for example, bores, wells, pumps, windmills, pipes, water towers or header tanks, with similar approval to the preceding. Capital expenditure on vehicular water tankers is not eligible for DIA
- minimum tillage equipment—for example, trash tillage implements, boom sprays and markers, zero and reduced tillage planters, trash seeders, deep ploughs and seed drills.

There are 2 types of taxpayers who are eligible for DIA:

- primary producers—including trusts and partnerships that carry on a business of primary production—who own the drought mitigation property and
- leasing companies—including a leasing company that is a partner in a partnership—that lease drought mitigation property to primary producers.

Eligibility criteria for primary producers

The main eligibility criteria for DIA are:

- the expenditure in acquiring or constructing a new item of drought mitigation property must be incurred after 23 March 1995 and before 1 July 2000
- if the new item of drought mitigation property is constructed, construction must begin after 23 March 1995 and before 1 July 2000
- the property is to be used only in Australia and for the purpose of producing assessable primary production income
- the property must be first used or installed ready for use for that purpose before 1 July 2001
- the expenditure incurred must be at least $3000 on each new item of drought mitigation property
- in any income year the maximum deduction allowable is the lesser of $5000 or 10 per cent of the total cost of all the eligible items. Excess expenditure, or any deduction based on it, does not carry over to other years
- the deduction is allowable in the income year in which the property is first used or is installed ready for use.

Although a primary producer can claim the DIA in addition to any other allowable deductions the allowance cannot be claimed where a claim has been made under the following provisions of ITAA 1997:

- subdivision 387-E—mains electricity connection
- subdivision 330-A—exploration and prospecting
- subdivision 42-D—depreciation rates

and section 73B of ITAA 1936—expenditure on research and development (R&D) activities.

Loss of deduction

There will be a loss of deduction, if within 12 months of first using the drought mitigation property or installing it ready for use, the primary producer :

- disposes or loses it, or it is destroyed
- leases it, lets it out on hire under a hire purchase agreement, or otherwise grants a right to another person to use it or
- uses it outside Australia, or for a purpose other than producing assessable primary production income

and the primary producer intended to do so at the time of acquiring or constructing the property.

Primary producer partnerships

If a partnership acquires an item of drought mitigation property and the partnership has taken the DIA into account in determining the partnership's net income or loss, special provisions apply in respect of the disposal of a partner's interest (refer to section 656 of ITAA 1936).

Leasing companies

Leasing companies that lease drought mitigation property to primary producers may qualify for DIA. Amongst other requirements, the drought mitigation property must be used only in Australia by the lessee in producing assessable primary production income and the lease term must be for at least 4 years. The leasing company deduction is limited to $5000 per item. The leasing company is able to transfer its deduction for drought mitigation property to a primary producer lessee provided certain criteria are met.

Leasing company partnerships

Special provisions apply where a leasing company is a partner in a partnership (refer to sections 661 to 666 of ITAA 1936).

Recoupment of expenditure

Any recoupment received—or some part of it—in respect of the expenditure may be assessable income under subdivision 20-A of ITAA 1997.

Net income or loss from business

Primary production—label Q

Non-primary production—label R

Show at label **Q** and/or label **R** the total business income from primary production and/or non-primary production less total expenses incurred in producing that income adjusted by any reconciliation items.

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

Net income or loss from business—label S

Show at label **S** the total business income minus label **O**—**Total expenses**, plus or minus label **A**—**Income reconciliation adjustments** and label **B**—**Expense reconciliation adjustments**, minus label **U**—**Drought investment allowance**.

The **Net income or loss from business** at label **Q**—**Primary production** and/or label **R**—**Non-primary production** totals the amount shown at label **S**. If this amount is an overall loss, print **L** in the box to the right of the amount.

5 Prescribed payments system (PPS) credit T

6 Reportable payments system (RPS) credit V

7 Credit for interest on early payments
—amount of interest
(Trust only) W

F

8 Partnerships and trusts

Primary production

Distribution from partnerships A

Distribution from trusts Z

Deductions relating to distribution in labels **A** and **Z** S

Net primary production distribution

Non-primary production

Distribution from partnerships, less foreign income B

Distribution from trusts, less net capital gains and foreign income R

Deductions relating to distribution in labels **B** and **R** T

Net non-primary production distribution

Distributions of net capital gains must be included at item 18.
Distributions of foreign income must be included at item 19 or 20.

Share of credits from income

Share of PPS credit C

Share of RPS credit U

Share of imputation credit from franked dividends D

Share of credit for tax file number (TFN) amounts deducted from interest and dividends E

9 Rent

Gross rent F

Interest deductions G

Special building write-off X

Other rental deductions H

Net rent

10 Gross interest—including Commonwealth government loan interest J

TFN amounts deducted from gross interest I

11 Dividends

Unfranked amount K

Franked amount L

Imputation credit M

TFN amounts deducted from dividends N

12 Other Australian income—give details

Excepted net income

Type of income

O

13 Total of items 4 to 12

Add the boxes

5 Prescribed payments system (PPS) credit—label T

To claim a PPS credit at label **T**, the partnership or trust must have:

- declared the gross PPS income derived at item **4—Income**, label **B—Gross prescribed payments system income**, and
- had tax deducted by payers in relation to that PPS income at item **4**, label **B**.

Do not include the partnership's or trust's share of PPS credits distributed from other partnerships or trusts at label **T**. Show that credit at item **8—Share of credits from income**, label **C—Share of PPS credit**.

If the partnership or trust had tax deducted under PPS during the year ended 30 June 2000, you should have received duplicate copies of *PPS payment summaries*. Payers are required to send these *PPS payment summaries* to you by 14 July 2000. Show at label **T**, the total amounts of tax deducted, as shown on the *PPS payment summaries*.

If you did not receive or have lost your copy of the *PPS payment summary*, contact the payer and request a signed photocopy of the payer's copy or a letter setting out the details previously shown in the missing *PPS payment summary*.

Record retention—Do not include your copies of *PPS payment summaries* with the *Partnership tax return 2000* or the *Trust tax return 2000*. Keep them with a copy of the tax return for 5 years. They may be required by the ATO at a later date.

If the partnership or trust held a *Deduction variation certificate* or *Deduction exemption certificate* during the year, keep the certificate because it may be required by the ATO at a later date.

6 Reportable payments system (RPS) credit—label V

To claim a RPS credit at label **V**, the partnership or trust must have:

- declared the gross RPS income derived at item **4—Income**, label **C** and/or label **D—Gross reportable paments system income** and
- had tax deducted by payers in relation to that RPS income at item **4**, label **C** and/or label **D**.

Do not include the partnership's or trust's share of RPS credits distributed from other partnerships or trusts at label **V**, show that credit at item **8—Share of credits from income**, label **U—Share of RPS credit**.

If the partnership or trust had tax deducted under RPS during the year ended 30 June 2000, you should have received a receipt from the payer indicating the amounts deducted. The total amount of tax deducted is shown at label **V**.

If you did not receive or have lost your copy of the receipt, contact the payer and request a signed photocopy of the payer's copy or a letter setting out the details previously shown in the missing receipt.

Record retention—Do not include the receipts with *Partnership tax return 2000* or the *Trust tax return 2000*. Keep them with the copy of the partnership or trust tax return for 5 years. They may be required by the ATO at a later date.

7 Credit for interest on early payments—label W (Trust only)

Do not show actual payments at label **W**. Only the calculated interest amount for early payment is shown at label **W**.

Early payment interest is calculated from the date the early payment is made to the date the amount becomes due and payable. Interest is only payable where the tax is actually paid more than 14 days before the due date of payment. Amounts which may attract early payment interest credit are payments of:

- income tax
- initial and final payments of company tax under sections 221AP and 221AZD of ITAA 1936
- instalments of company tax under section 221AZK of ITAA 1936
- additional tax under Part VII of ITAA 1936
- interest under section 102AAM of ITAA 1936
- interest under section 170AA of ITAA 1936
- late lodgment penalties under section 163A of ITAA 1936.

Early payment interest is not payable on:

- any component of the payment that exceeds the amount due
- amounts deducted under arrangements for collection of tax at the time of payment—for example, deductions of PPS or RPS
- amounts credited following assessment in payment of the tax liability or
- amounts paid less than 14 days before the due date.

For trustees, early payment interest is calculated from either the date of payment or the date the notice of assessment is issued—whichever is later to the date the amount becomes due and payable.

Any amount paid early which is refunded before the date an amount of tax, instalment or interest becomes due and payable, does not accrue early payment interest for the period after the date it is refunded.

Date of payment is:

- the date shown on the receipt for payment(s) to the ATO
- the date payment is mailed to the ATO plus 3 days or
- the date shown on the taxpayer's bank statement where payment is made through direct debit —that is, EFT.

Rates applicable for 1999–2000 Income year:
The new rates applicable in the 1999–2000 income year for interest on early payments are the weighted average yield for the 13 Week Treasury Note applicable for the relevant quarters (refer to section 214A of ITAA 1936).

Quarter	Interest rate (p.a.)
Jul–Sep 1999	4.72%
Oct–Dec 1999	4.73%
Jan–Mar 2000	5.08%
Apr–Jun 2000	5.65%

Note: Keep a record of the amount of early payment interest claimed. Early payment interest is assessable as income in the income year it is paid or credited against another liability.

8 Partnerships and trusts

General information

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

The partnership's or trust's income from another trust includes income the partnership or trust received or was entitled to receive as a beneficiary under a will, settlement, deed of gift or other instrument of trust.

Copy the details from any statements received from partnerships and trusts to the Distribution of income from partnerships or trusts at Worksheet 3 on page 79. Include the TFN amounts deducted on interest and/or dividends from a partnership or trust. This is the partnership's or trust's record if the ATO needs more details later.

Note:

- income distributions from partnerships and trusts are not to include foreign income or capital gains at item **8**. Foreign income is shown at item **19 —Attributed foreign income** and item **20—Other assessable foreign source income**. Capital gains (Trust only) are shown at item **18—Capital gains**
- if FTD tax has been paid on a conferral of present entitlement to, or distribution of, income or capital of another trust or partnership which would otherwise be assessable to the partnership or trust, the income or capital is excluded from the partnership or trust's assessable income under section 271-105 of Schedule 2F to ITAA 1936. Any losses or outgoings incurred in deriving an amount which is excluded from assessable income under section 271-105 are not deductible and a credit or rebate cannot be claimed for any imputation credit attached to a dividend which is exempt income by reason of section 271-105.
For more information about the operation of the trust loss measures see Appendix 10 on page 108 and the circumstances in which FTD tax is payable see page 21 for partnerships and page 27 for trusts.

Primary production

Distribution from partnerships—label A

Show at label **A** the amount of primary production income or loss distribution from other partnerships. If this amount is a loss, print **L** in the box to the right of the amount.

Distribution from trusts—label Z

Show at label **Z** the amount of primary production income distribution from other trusts. Include income to which you became presently entitled in the income year but have not yet received. If this amount is a loss, print **L** in the box to the right of the amount.
A loss can be shown at label **Z** only if it is a component of an overall distribution of net income from the same trust.

If this amount is not a loss, print the code in the box to the right of label Z from Table 3 on page 27 representing the type of trust from which the distribution is made. If from more than one type of trust print the code for the trust type with the largest amount of distribution.

Deductions relating to distribution in labels A and Z—label S

Show at label **S** the partnership's or trust's own deductions for primary production distributions from other partnerships or trusts.

Net primary production distribution

Show at this item the net result of partnership and/or trust distribution(s) of primary production income.

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

Non-primary production

Distribution of non-primary production income from partnerships less foreign income—label B

Show at label **B** the amount of non-primary production income or loss distribution, including the net share of PPS income, from other partnerships. If this amount is a loss, print **L** in the box to the right of the amount. Where the distribution includes franked dividends show the grossed up amount—that is, the total of the imputation credit and dividend. The imputation credit is also shown at label **D—Share of imputation credit from franked dividends**.

Distribution from trusts less net capital gains and foreign income—label R

Show at label **R** the amount of non-primary production income distributions, including the net share of PPS income, from other trusts. Where the distribution includes franked dividends show the grossed up amount—that is, the total of imputation credit and dividend. The imputation credit is also shown at label **D—Share of imputation credit from franked dividends**.

Include income to which you became presently entitled in the income year but have not yet received. If this amount is a loss, print **L** in the box to the right of the amount. A loss is shown at label **R** only if the amount is a component of an overall distribution of net income from the same trust.

If the amount is not a loss, print the code in the box to the right of the amount from Table 3 on page 27, representing the type of trust from which the distribution is made. If from more than one type of trust print the code for the trust type with the largest amount of distribution.

Deductions relating to distribution in labels B and R—label T

Show at label **T** the partnership's or trust's own deductions in relation to non-primary production distributions from other partnerships or trusts.

Note: If FTD tax has been paid on income or capital of another partnership or trust to which the partnership or trust is presently entitled or which has been distributed to the partnership or trust, the income or capital is excluded from the assessable income of the partnership or trust under section 271-105 of Schedule 2F to ITAA 1936 and is not shown at label **A**, label **Z**, label **B** or label **R**. Any losses or outgoings incurred in deriving an amount which is excluded from assessable income under section 271-105 are not deductible and cannot be claimed at label **S** or label **T**. For more information about the circumstances in which FTD tax is payable see page 21 for partnerships and page 27 for trusts.

Net non-primary production distribution

Show at this item the net result of partnership and/or trust distribution(s) of non-primary production income.

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

Share of credits from income

Share of PPS credit—label C

If the partnership or trust income shown at label **B** or label **R** includes PPS income from which tax was deducted, show the share of that credit at label **C**.

Share of RPS credit—label U

If the partnership or trust income shown at label **A**, label **Z**, label **B** or label **R** includes RPS income from which tax was deducted, show the share of that credit at label **U**.

Share of imputation credit from franked dividends—label D

Show at label **D** the partnership's or trust's share of any imputation credits received through another partnership or trust. Show imputation credits received directly from a paying company at item **11—Dividends**, label **M—Imputation credit** for both partnerships and trusts.

However, under section 160AQCBA of ITAA 1936 changes to the imputation system apply from 13 May 1997. For more information see **What's new?** on page 4.

Note: If FTD tax has been paid on a dividend paid or credited to the partnership or trust by a company which has made an interposed entity election, the dividend is excluded from the assessable income of the other partnership or trust under section 271-105 of Schedule 2F to ITAA 1936 and a credit or rebate cannot be claimed for any imputation credit attached to that dividend. For more information about the circumstances in which FTD tax is payable see page 21 for partnerships and page 27 for trusts.

Share of credit for tax file number amounts deducted from interest and dividends—label E

Unless the partnership or trust claimed an exemption or lodged its TFN with the investment body, tax may be withheld from interest and/or dividends. Any tax deducted on interest and/or dividends is called 'TFN amounts deducted' and is calculated at the top marginal tax rate plus the Medicare levy (48.5 per cent).

Show at label **E** the share of the net amount of TFN amounts deducted on interest and/or dividends. Credits for TFN amounts deducted are allowed in the assessments of the partners, beneficiaries or trustees.

Distribution of TFN amounts deducted (Trust only)

Where a trustee is liable to pay tax on income to which no beneficiary is presently entitled, credits for TFN amounts deducted are allowed in the same proportion as the income assessed to the trustee.

The trustee cannot claim a larger proportion of the TFN credit than the proportion of the net income on which they are assessed.

If the trust has no net income the trustee is entitled to the full TFN credit.

The trustee is also allowed the proportion of credit applicable to the non-resident beneficiaries and/or beneficiaries under a legal disability.

9 Rent—labels F, G, X and H

Gross rent—label F

Show at label **F** the gross amount of rental income.

Details for partnerships

Lease premiums taxable as a capital gain are shown in each partner's individual tax return.

Rent from foreign sources is shown at item **20—Other assessable foreign source income**.

Details for trusts

Lease premiums taxable as a capital gain are shown at item **18—Capital gains**.

Rent from foreign sources is shown at item **20—Other assessable foreign source income**.

Interest deductions—label G

Where borrowed monies are used to finance a property investment, interest paid on the borrowing generally is deductible.

Show at label **G** the total interest expenses incurred in earning rental income. For more information on thin capitalisation see Appendix 3 on page 94.

Special building write-off—label X

Show at label **X** the total special building write-off amount for rental buildings only. For information on special building write-off see Appendix 5 on page 99.

Other rental deductions—label H

Show at label **H** the total of other deductible expenses incurred in earning rental income. For more information on allowable deductions see Appendix 5 on page 99.

Note: New measures may affect the amount of rental deductions relating to:

- the depreciation system—see **What's new?** on page 9
- lease assignments—see **What's new?** on page 13.

Net rent

Show at this item the net amount of any rent or any premium received. If this amount is a loss, print **L** in the box to the right of the amount.

For more information refer to *Rental Properties*. To find out how to get a copy see the inside back cover.

10 Gross interest—labels J and I

Gross Interest—label J

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

Show at label **J** the interest from banks and credit unions, building societies, debentures, notes and deposits, discounted or deferred interest securities, government securities, Commonwealth Government Loans issued before 1 November 1968 and interest paid by the ATO.

Copy details from all statements to the Interest worksheet at Worksheet 4 on page 80. This is the partnership's or trust's record.

Discounted, deferred interest or capital-indexed securities

If the discount, interest or any other gain accrued this year on a discounted, deferred interest or capital-indexed security which:

- issued after 16 December 1984
- had a maturity date of over 12 months from the issue date and
- where the sum of all payments under the security (except periodic interest—for example, a coupon rate) exceeds its issue price,

show the appropriate amount of the discount, interest or other gain at label **J**.

Example:

On 1 July a zero-interest discounted security is issued at \$82.65, redeemable on 30 June after 2 years at a face value of \$100. The investor holds the security until it matures. The partnership or trust is required by ITAA 1936 to calculate the effective rate of interest for each 6-month period. In this case it is 4.88 per cent.

The accrued amount included in total income of the partnership or trust each year is equal to the increase in value of the security in that year, as follows:

Value of security at:		Year 1 $	Year 2 $
Beginning of year	**A**	82.65	90.91
Half year	**B**	86.68	95.35
Increase	**B – A = C**	4.03	4.44
End of year	**D**	90.91	100.00
Increase	**D – B = F**	4.23	4.65
Increase for year	**C + F**	8.26	9.09

In the example the 6 monthly period falls at exactly half year. For more information if the amount to be included in the net income of the partnership or trust cannot be worked out see the inside back cover.

TFN amounts deducted from gross interest—label I

Show at label **I** the net amount of TFN amounts deducted on interest for both partnerships and trusts.

Record retention—Partnerships and trusts should keep all documents issued by the financial institution which detail payments of income and any TFN amounts deducted from those payments.

These documents are not attached to the *Partnership tax return 2000* or the *Trust tax return 2000*.

11 Dividends—labels K, L, M and N

If the partnership or trust is a shareholder in a company, or held units in a corporate unit trust or a public trading trust, the company, corporate unit trust or public trading trust gives the partnership or trust a statement of dividends. This statement includes the unfranked amount, the franked amount, the imputation credit and any TFN amounts deducted. Show only amounts received from Australian companies, corporate limited partnerships, corporate unit trusts and public trading trusts. Dividends received from foreign sources are shown at item **20**—**Other assessable foreign source income,** label **V**—**Net**.

Copy details from all statements to the Dividend worksheet at Worksheet 5 on page 81. This is the partnership's or trust's record.

Note: If FTD tax has been paid on a dividend paid or credited to the partnership or trust by a company which has made an interposed entity election, the dividend is excluded from the assessable income of the partnership or trust under section 271-105 of Schedule 2F to ITAA 1936 and is not shown at label **K** or label **L**. Any losses or outgoings incurred in deriving an amount which is excluded from assessable income under section 271-105 are not deductible and a credit or rebate cannot be claimed by the partnership or trust for any imputation credit attached to the exempt portion of the dividend. Accordingly, do not include any amount at label **M** for an imputation credit attached to the whole or part of a dividend that is exempt under section 271-105. For more information about the circumstances in which FTD tax is payable see page 21 for partnerships and page 27 for trusts.

For more information on dividends, imputation credits and rebate entitlement see Appendix 1 on page 92.

Unfranked amount—label K

Show at label **K** the gross amount of unfranked dividends received before any net TFN amounts deducted were deducted.

If the partnership or trust is a shareholder, or an associate of a shareholder, of a private company and received payments from the company or loans from the company or a trustee—where the company has a present entitlement—or had debts forgiven by the company, the amounts—subject to distributable surplus—of those payments, loans not repaid or debts forgiven are returned as an unfranked dividend unless they are specifically excluded under the provisions of Division 7A of Part III of ITAA 1936. Refer to Division 7A—Private company distributions—an overview.

Franked amount—label L

Show at label **L** the total amount of franked dividends received.

Imputation credit—label M

Show at label **M** the amount of imputation credits received directly from a paying company. This amount is automatically allowed as a rebate to reduce the tax payable. Show imputation credits received indirectly through a trust or another partnership at item **8**—**Share of credits from income**, label **D**—**Share of imputation credit from franked dividends** for both partnerships and trusts.

TFN amounts deducted on dividends—label N

Show at label **N** the total of TFN amounts deducted on dividends received, less any TFN amounts deducted already refunded.

12 Other Australian income—label O

If, during the year ended 30 June 2000, the partnership or trust was paid any bonuses or other amounts in the nature of bonuses on the maturity, forfeiture of surrender of a short-term life assurance policy taken out after 27 August 1982, the amount may need to be shown at label **O**.

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

Do not include the amount shown on a bonus certificate if the partnership or trust:

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

If the policy has a date of commencement of risk after 7 December 1983 then any bonus is included in assessable income in full if received within the first 8 years after the date of commencement of risk of the policy. Two-thirds of the amount is included if the bonus is received in the 9th year and one-third if the bonus is received in the 10th year. Amounts received after the 10th year are not included.

If the policy has a date of commencement of risk after 27 August 1982 and before 7 December 1983 then any bonus is included in assessable income in full if received within the first 2 years after the date of commencement of risk of the policy. Two-thirds of the amount is included if the bonus is received in the 3rd year and one-third if the bonus is received in the 4th year. Amounts received after the 4th year are not included.

If the amount of a premium increases by more than 25 per cent over the previous years premium then the commencement date of the policy is taken to have started again in the year the premium increased.

The trustee, beneficiary or the partners—in their individual assessment, as the case may be—may claim a rebate for a bonus or any other amount in the nature of a bonus included in the income, if the organisation issuing the life policy is:

- one that pays tax on the income from which the amount was paid
- a friendly society
- the State Government Insurance Office in New South Wales, South Australia, Victoria, Western Australia or
- Suncorp Insurance and Finance in Queensland.

The rebate is equal to:

- 33 cents in each dollar in the case of friendly societies
- 39 cents in each dollar in any other case.

The bonus or other amount in the nature of a bonus is included in the calculation of net income or loss of the partnership or trust and is apportioned among the partners in the same ratio as they share in that net income or loss.

If the partnership or trust received bonuses from a friendly society and other institutions, include the total amount at label **O**. To ensure that the right rebate is allowed, attach a statement to the *Partnership tax return 2000* or *Trust tax return 2000* showing the separate amounts from the friendly society and the other cases mentioned above. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.

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

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

For more information on bonuses paid on certain life assurance policies refer to *Taxation Ruling IT 2346*. To find out how to get a copy see the inside back cover.

Royalties

For information on royalty income shown at label **O**, see Appendix 2 on page 93. If the amount at label **O** is a loss, print **L** in the box to the right of the amount.

Foreign exchange gains or losses

Show at label **O** foreign exchange gains or losses of a capital nature—except those that are subject to CGT. If this amount is a loss, print **L** in the box to the right of the amount. Show at item **18—Capital gains**, foreign exchange gains or losses subject to CGT (Trust only).

For an explanation of foreign exchange gains or losses of a capital nature see Appendix 6 on page 104.

Eligible termination payments

Eligble termination payments (ETPs) paid to the trustee of a deceased person's estate are assessable in the hands of the trustee as a death benefit ETP.
An ETP is:

- a lump sum paid by an employer in consequence of the termination of employment
- a lump sum payment from a superannuation fund, approved deposit fund, RSA, life assurance company or registered organisation, such as:
  - payments received when a superannuation pension or annuity is changed into a lump sum
  - payments received when a withdrawal is made from an approved deposit fund
  - other payments, excluding a pension or annuity from a superannuation fund
- a payment from the ATO of amounts collected from the Superannuation Guarantee or SHAR
- a payment from the sale of an active asset of a small business which would otherwise be an assessable capital gain – called the 'CGT exempt component'.

An ETP paid on the death of another person—for example, a payment from a superannuation fund or account holder of a RSA of which the deceased person was a member—is called a 'death benefit ETP'. If a death benefit ETP is paid to the trustee of a deceased estate and dependants of the deceased benefit from the estate, that part of the payment that is taxed as an ETP may be reduced.

A dependant of the deceased is a person who at the time of death or at the time the payment was made, was a surviving spouse or de facto spouse, an ex-spouse, a child of the deceased under 18 years of age, or a person financially dependant on the deceased. If you need to know what financially dependant means phone the Superannuation helpline on **13 1020**.

The death benefit ETP cannot be reduced to an amount that is less than the amount of the excessive component. The 'excessive component' is the amount of the ETP that is greater than the deceased's Reasonable Benefit Limit (RBL). The deceased's RBL is the maximum amount of superannuation and similar benefits payable in respect of the deceased that is taxed at concessional or reduced rates. The RBL limits for the 1999–2000 income year are:

Lump sum RBL	Pension RBL
$485 692	$971 382

The ATO works out if some or all of the ETP death benefit is within the RBL of the deceased. Anything above that RBL is an excessive component. If some or all of the ETP death benefit is above the RBL of the deceased, the ATO issues a written *RBL Determination* which shows part or all of the payment as an excessive component. If the ETP has an excessive component, also attach the *RBL Determination* to the *Trust tax return 2000*. If all the beneficiaries are dependants, return the excessive component at label **O**. If all the beneficiaries are non-dependants, or if the beneficiaries are dependants and non-dependants, phone the Superannuation helpline on **13 1020** for more information to work out the assessable amount.

The payer of a death benefit ETP should provide you with an *ETP group certificate* for a death benefit ETP. Attach the *ETP group certificate* to the *Trust tax return 2000*. If you have an *ETP group certificate* showing that tax instalments were deducted from the payment, attach a statement to the tax return indicating the amount of tax instalments deducted. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return. If this can not be done, phone the Superannuation helpline on **13 1020** for assistance.

For more information on ETPs refer to:

- *Eligible Termination Payments: A guide to lump sum payments for employees*
- *Eligible Termination Payments: A guide for superannuation payers and eligible termination payments on the death of an employee*.

To find out how to get a copy see the inside back cover.

Excepted net income (Trust only)

Show at label **O** and **Excepted net income** the excepted net income received. Also attach a statement to the *Trust tax return 2000*:

- detailing the distribution of excepted income to each beneficiary and
- listing each beneficiary who is considered to be an excepted person, giving supporting reasons.

Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.
For an explanation of excepted income and excepted person see Appendix 12 on page 112.

13 Total of items 4 to 12

Show at item **13** the total of all Australian income. If this amount is a loss, print **L** in the box to the right of the amount.

Deductions

14 Deductions relating to Australian investment income P .00

15 Other deductions—show only deductions relating to Australian source income

Name of each item of deduction	Amount	
	.00	
	.00	Q .00

16 Total of items 14 and 15 .00

17 Net Australian income or loss Subtract item **16** from item **13** $ .00 F

18 Capital gains
(Trust only)

Total current year capital gains R .00 CODE

Total current year capital losses applied N .00 CODE

Prior year net capital losses applied O .00

Net capital gain I

Pre-announcement net capital gain amount J .00

Modified net capital gain amount K .00

Capital gains tax small business roll-over amount L .00

Net capital losses carried forward P .00

Foreign income

19 Attributed foreign income

Did the partnership / trust have either a direct or indirect interest in a foreign trust, controlled foreign company, or transferor trust? S Print **Y** for yes or **N** for no.

Did the partnership / trust have an interest in a foreign investment fund (FIF) or a foreign life assurance policy (FLP)? T Print **Y** for yes or **N** for no.

Broad-exemption listed country M .00

Limited-exemption listed country U .00

Unlisted country X .00

FIF/FLP income Y .00

If yes to either question, complete and attach a *Schedule 25A 2000.*

20 Other assessable foreign source income
—other than income shown at item **19**

Gross B .00 Net V .00

Foreign tax credits Z

21 Total of items 17 to 20 Add the boxes .00

22 Tax losses of earlier income years deducted this year—excluding prior year foreign source losses
(Trust only)

Primary production H .00

Non-primary production C .00

Net .00

23 Total net income or loss Subtract item **22** from item **21** .00
(Trust only)

24 Losses available to be carried forward to following income years—excluding carry forward foreign source losses
(Trust only)

Primary production D .00

Non-primary production E .00

25 Landcare and water facility tax offset
Refer to the *P and T 2000 instructions.*
(Trust only)

Landcare and water facility tax offset claimed F .00

Landcare and water facility tax offset brought forward from prior years G .00

14 Deductions relating to Australian investment income—label P

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

For more information on thin capitalisation see Appendix 3 on page 94.

15 Other deductions—label Q

Show at label **Q** any appropriate losses and outgoings not already claimed at item **4—Business income and expenses**, by the partnership or trust.

Losses and outgoings

Losses and outgoings are deductible to the extent to which they are incurred in gaining or producing assessable income, or necessarily incurred in carrying on a business for the purpose of gaining or producing such income.

The following are not deductible:

- losses or outgoings of capital or of a capital, private or domestic nature, except where special provision is made in the income tax law
- expenses incurred in gaining or producing exempt income
- penalties or fines
- income tax liabilities and
- entertainment—except in very limited circumstances.

Tax-related expenses

Show at label **Q** any expenses incurred by the partnership or trust in the management of the tax affairs of the partnership or trust. Expenses incurred include:

- the cost of attending an ATO audit
- tax planning
- expenditure on the income tax affairs of the partnership or trust—that is, a fee or commission for professional advice where the advice is provided by a registered tax agent, or a barrister or solicitor and
- the interest component included in an amended assessment which increases tax liability.

The partnership or trust cannot claim a deduction for the cost of capital items. However, depreciation of a capital item, such as a computer, used for the management of the tax affairs of the partnership or trust, may be allowable. Where a capital item is used for private, domestic and tax-related purposes, the depreciation deduction is apportioned to reflect only that part which is related to the management of the tax affairs of the partnership or trust.

Note: New measures may affect the amount of depreciation deducted relating to:

- GST-related expenditure—see **What's new?** on page 6
- the depreciation system—see **What's new?** on page 9
- lease assignments—see **What's new?** on page 13.

A deduction is not allowable for costs for any offence-related matter—for example, the cost of defending a tax prosecution.

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

Payment of premium to a non-resident insurer

A trust cannot claim a deduction for insurance premiums paid to a non-resident of Australia for the insurance of property situated in Australia or of an event which can happen only in Australia, unless arrangements have been made to the satisfaction of the ATO for the payment of any tax payable or that may become payable. Keep details supporting any claim for a deduction.

Gifts

Gifts of $2 and upwards to approved school building funds, public hospitals, public benevolent institutions and to other approved bodies or funds, including approved overseas aid funds, are allowable deductions. Changes to the deductibility for gifts are contained in TLAA (No. 2) 2000. For more information see **What's new?** on page 8.

Gifts of less than $2 and gifts to war memorial funds—except the 'Shrine of Remembrance Restoration and Development Trust' and the 'Australian National Korean War Memorial Trust Fund'—are not deductible.

Note: Section 30-50 of ITAA 1997 provides that gifts to the 'Australian National Korean War Memorial Trust Fund' must be made before 1 September 1999 to qualify as a tax deductible donation.

If claiming the value of property donated under the Incentive Scheme for the Arts or to National Trust bodies, keep the required valuation certificates.

For more information on changes to the deductibility for gifts effective from 1 July 2000 see **Changes effective from 1 July 2000** on page 119.

Subscriptions

Show at label **Q** expenses incurred by the partnership or trust for subscriptions paid:

- to trade, business or professional associations
- to other organisations where the subscription is incurred in the production of assessable income and
- to journals, newspapers or magazines where these relate to the production of assessable income.

The partnership or trust cannot claim for fees paid for the partnership or trust or any person to acquire or retain membership of a sporting, social club or a political party.

Film Licensed Investment Company deductions

Show at label **Q** expenses incurred by a trust for the payment of shares, in the income year in which the shares are fully paid and issued, from a company which has been granted a license to raise concessional capital under the *Film Licensed Investment Company Act 1998*.

For a partnership, deductible expenses for subscriptions in shares of a Film Licensed Iinvestment Company are claimed proportionately in the partner's individual tax return.

Deductions are not available for shares issued after 30 June 2000.

Film industry incentives

For more information explaining the conditions under which concessions are available to a trust which invests or contributes money to the production of a qualifying Australian film refer to *Australian film industry incentives*. To find out how to get a copy see the inside back cover.

For partnerships, such concessions are claimed proportionately in the partner's individual tax return. If a deduction is claimed keep full details.

Foreign exchange gains or losses

Show at label **Q** deductions relating to foreign exchange gains or losses included at item **12—Other Australian income**, label **O**.

16 Total of items 14 to 15

Show at item **16** the total deductions relating to Australian income.

17 Net Australian income or loss—label $

Show at item **17** the net income or loss relating to Australian income for a partnership or trust—that is, total Australian income minus total deductions. If this amount is a loss, print **L** in the box to the right of the amount.

18 Capital gains—labels R, N, O, I, J, K, L and P (Trust only)

A trust makes a capital gain or loss if a CGT event happens (refer to section 102-20 of ITAA 1997). There are a wide range of CGT events. Most CGT events involve a CGT asset. Some happen often and affect many different taxpayers—for example when a trust disposes of a CGT asset. Other CGT events are rare and affect only a few—for example, some CGT events are concerned directly with capital receipts and do not involve a CGT asset.

An Australian resident trust makes a capital gain, generally speaking, if a CGT event happens to any of its worldwide CGT assets.

A non-resident trust makes a capital gain or loss only if a CGT event happens to a CGT asset that has the necessary connection with Australia or where certain CGT events apply—that is:

- those which create contractual or other rights —CGT event D1 or
- those which create a trust over future property —CGT event E9.

A non resident trust makes a capital gain or loss from CGT event D1 or CGT event E9 only if the requirements of section 136-15 of ITAA 1997 are satisfied. There are also rules dealing with what happens when a non-resident trust becomes a resident trust.

A trust makes a capital gain in relation to a CGT event if the capital proceeds from the CGT event exceed the trust's cost base—or, for some CGT events, some other amount—indexed if appropriate.

Note: Indexation is not available for CGT assets acquired after 11.45a.m. AEST, 21 September 1999. For CGT events happening after that time to a trust's CGT assets acquired before that time indexation may be frozen as at 30 September 1999.

A trust makes a capital loss in relation to a CGT event if the capital proceeds from the CGT event are less than the trust's reduced cost base—or, for some CGT events, some other amounts. An exception (refer to Division 104 of ITAA 1997) or exemption may apply to allow the taxpayer to reduce the capital gain or loss or disregard it.

In general, a trust acquires a CGT asset when the trust becomes its owner. Any capital gain or loss is generally disregarded if the trust became its owner before 20 September 1985. However, if a capital improvement is made after 19 September 1985 to an asset acquired on or before that date, the improvement may be treated as a separate CGT asset. For more information regarding property acquired before 20 September 1985 see the next column

Note: A capital gain a trust makes from a CGT event is reduced if an amount has already been included in assessable income, because of the CGT event, under a provision of ITAA 1936 or ITAA 1997 other than the CGT provisions.

Property acquired before 20 September 1985

Any profit from the sale of any property acquired before 20 September 1985 must also be included in the trust's assessable income if:

- the intention or purpose of the taxpayer in entering into the transaction was to make a profit and
- the transaction was entered into, and the profit made, in the course of carrying out a business operation or commercial transaction—that is, the transaction is one that is business-like or commercial in character.

The ATO has issued a number of Taxation Rulings and Taxation Determinations setting out the views of the ATO on the interpretation and application of the law as it relates to transactions involving property—for example, *Taxation Ruling 92/3*. To find out how to get a copy see the inside back cover.

Partnerships note:

For CGT purposes, a partnership does not own assets. A partnership asset is owned by the partners in the proportions to which they have agreed. If a CGT event happens to a partnership asset during the year, or the partnership received a share of a capital gain from a trust, each partner must include their share of the gain in their individual tax return. Details are recorded on the Distribution of net capital gain worksheet at Worksheet 6 on page 82 and should be retained by the partnership.

Total current year capital gains—label R

For CGT events happening after 11.45a.m. AEST, 21 September 1999 a trust may be eligible for the CGT discount and/or small business CGT relief including:

- the small business 50% active asset reduction of capital gains
- the small business retirement exemption and
- the small business roll-over if certain conditions are satisfied.

For more information see **What's new?** on page 11.

Current year capital losses and prior year net capital losses must be applied to reduce current year capital gains before applying the CGT discount or any of the small business concessions in Division 152 of ITAA 1997. A trust can choose the order in which it reduces its capital gains.

The small business 50% active asset reduction applies to any capital gain remaining after the application of all capital losses and, if applicable, the CGT discount if certain conditions are satisfied.

A trust can then choose to apply the small business retirement exemption or small business roll-over or both to all or part of the remaining capital gain if certain further conditions are satisfied. For more information refer to the *Capital gains tax concessions for small business*. To find out how to get a copy see the inside back cover.

If the trustee is a beneficiary of another trust, the trustee may be taken to have a capital gain in relation to a capital gain of that other trust (refer to subdivision 115-C of ITAA 1997).

Although a trust may be eligible for the CGT discount, capital losses must be applied to reduce capital gains before applying the CGT discount and so it is necessary to 'gross-up', by multiplying by 2, its share of any net capital gains received from another trust that has been reduced (by the other trust) by the CGT discount.

As well, although a trust may be eligible for the small business 50% active asset reduction it is also necessary to 'gross-up', by multiplying by 2, its share of any net capital gains received from another trust that has been reduced (by the other trust) by the small business 50% active asset reduction and, by multiplying by 4, its share of any net capital gains received from another trust that has been reduced (by the other trust) by both the small business 50% active asset reduction and the CGT discount. The provisions also allow a deduction for that part of the net income of another trust that is treated as a capital gain of the trustee (refer to subdivision 115-216(6) of ITAA 1997).

Beneficiaries of other trusts may also receive payments from the trustee out of the discount amount and/or the active asset reduction amount. These payments are 'tax-deferred amounts'. If the other trust is a unit trust and the tax-deferred amount exceeds the cost base of the units or a fixed trust and the tax-deferred amount exceeds the cost base of the units in the trust, the beneficiary makes a capital gain equal to the excess.

To calculate the amount shown at label **R** use the Capital gains worksheet at Worksheet 8 on pages 84–91. Do not attach the worksheet to the *Trust tax return 2000*. Where there is a total current year capital gain show at label **R** the amount at **F13** in **Part F** of the worksheet.

Print the code in the CODE box from the list below that best describes the CGT asset involved in the CGT event. If the trust made capital gains in more than one category use the code for the category with the largest capital gain. The amount shown at label **R** is the sum of capital gains before the application of capital losses.

CGT asset	Code
Shares	S
Units in unit trust	U
Real estate	R
Collectables	A
Personal use assets	P
Equipment and plant including trucks	E
Goodwill on the sale of a business	G
Trust distributions	T
Other assets—such as restrictive covenants, patents, etc.—or where the CGT event does not involve a CGT asset	O
Instalment Receipts	I

Note: The amount at label **R** includes any amounts rolled over under the CGT small business roll-over provisions in Division 123 or subdivision 152-E of ITAA 1997 or which are exempt under the CGT small business retirement exemption provisions in subdivisions 118-F or 152-D of ITAA 1997. Such amounts are excluded at label **I—Net capital gain**. Any CGT small business roll-over amounts are also shown at label **L—CGT small business roll-over amount**.

Note: Special rules apply to collectables and personal use assets. Generally, a capital gain is disregarded if the trust makes it from a collectable acquired for $500 or less, or a personal use asset, or part of a personal use asset, acquired for $10 000 or less.

Excepted net capital gain of minor

Show at label **R** any excepted capital gains of minors at label **N—Total current year capital losses applied** and any current year capital losses or prior year net capital losses to be applied against these excepted capital gains at label **O—Prior year net capital losses applied**.

Include the amount of any excepted net capital gains at label **I—Net capital gain**, and attach a statement to the *Trust tax return 2000*:

- detailing the distribution of excepted capital gains to each beneficiary and
- listing each beneficiary who is considered to be an excepted person, giving supporting reasons.

Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.

For an explanation of excepted income and excepted person see Appendix 12 on page 112.

Total current year capital losses applied —label N

Only show at label **N** the appropriate amount of capital losses that are applied against the trust's total current year capital gains at label **R**. The amount shown at label **N** cannot exceed the amount shown at label **R**. If label **R** is blank, do not complete label **N**.

To calculate the amount shown at label **N** use the Capital gains worksheet at Worksheet 8 on pages 84–91. If any current year capital losses are applied, show at label **N** the sum of **E1** and **F20** from the worksheet. This amount includes capital losses applied in calculating a small business roll-over amount.

Print the code in the CODE box from the list opposite that best describes the CGT asset involved in the CGT event. If the trust made current year capital losses in more than one category use the code for the category with the largest capital loss.

Generally, a capital loss is made if a CGT event happens and the trust's reduced cost base for the CGT event exceeds the capital amounts the trust receives—or is entitled to receive—from the event. Capital losses not applied can generally be carried forward to a later income year and applied against capital gains in that year.

A capital loss made on a collectable in the current year or an unapplied amount, can only be used to reduce capital gains from other collectables (refer to section 108-10 of ITAA 1997). Only include at label **N** the amount of any current year capital losses from collectables that the trust is using this income year to reduce capital gains from collectables. A capital loss is generally disregarded if it is made from a collectable acquired for $500 or less (refer to section 118-10 of ITAA 1997).

A capital loss from a personal use asset is disregarded (refer to section 108-20 of ITAA 1997) —that is, it is not used to reduce capital gains from other personal use assets.

There are also a number of new loss duplication provisions that may reduce or deny capital losses in certain circumstances. For more information see **What's new?** on page 12.

Prior year net capital losses applied —label O

If label **R** is blank or equals label **N**, do not complete label **O**.

To calculate the amount shown at label **O** use the Capital gains worksheet at Worksheet 8 on pages 84–91. Show at label **O** the sum of **D1**, **E2** and **F30** from the worksheet. This amount includes prior year net capital losses applied in calculating a small business roll-over amount or retirement exemption amount. The amount shown at label **O** cannot exceed label **R**—**Total current year capital gains** minus label **N**—**Total current year capital losses applied**. Prior year net capital losses are applied in the order in which they were made.

Any unused prior year net capital loss made on a collectable can only be applied to reduce capital gains from other collectables. Only include any prior year net capital losses from collectables applied against current year capital gains from collectables.

A capital loss from a personal use asset is disregarded—that is, it is not used to reduce capital gains from other personal use assets.

Capital losses may be reduced by the commercial debt forgiveness provisions (refer to section 102-30, item 3 of ITAA 1997)—see Appendix 4 on page 97.

There are also a number of new loss duplication provisions that may reduce or deny capital losses in certain circumstances. For more information see **What's new?** on page 12.

Net capital gain – label I

Show at label **I** the amount at **F37** in **Part F** of the Capital gains worksheet at Worksheet 8 on pages 84–91 being the net capital gain. This amount cannot be a negative figure.

Pre-announcement net capital gain amount —label J

Modified net capital gain amount—label K

The information at label **J** and label **K** is required to work out the CGT averaging reduction, which can reduce the tax otherwise payable on some trustee assessments. The labels are completed when trustee assessments are affected by the removal of CGT averaging in the 1999–2000 income year, and part of the relevant share of net income is attributable to a portion of the trust's net capital gain relating to CGT events that happened between 1 July 1999 and 11.45a.m. AEST, 21 September 1999.

The Income Tax Rates Act 1999 amended the *Income Tax Rates Act 1986* to remove the CGT averaging concession from the 1999–2000 income year. In that income year only, transitional measures provide a reduction to basic income tax liability. The reduction reduces additional tax from the removal of CGT averaging, to the extent that it relates to CGT events happening up until 11.45a.m. AEST, 21 September 1999. The explanatory memorandum to the Act describes how the reduction is worked out and gives several examples.

The reduction is calculated by the ATO from return form data including amounts shown at label **J** and label **K**. Do not complete label **J** and label **K** unless there may be a reduction entitlement in a trustee assessment, or unless the reduction may increase the rebate on ETPs and lump sums under section 159SA of ITAA 1936. In some circumstances you need to include a *Schedule of additional information* with the *Trust tax return 2000*.

If, after reading these instructions and making any further enquiries, you are still unsure whether the trustee assessment qualifies for the reduction (or the benefit of the reduction through a section 159SA of ITAA 1936 rebate) you may still complete label **J** and label **K** as explained on page 54. The ATO will work out whether or not there is any benefit. For more information see the inside back cover.

Note: The following information is relevant for all trusts with 1999–2000 net capital gains, whose beneficiaries may be affected by the CGT averaging reduction. The beneficiaries may need information from the trust as described below to complete their tax returns, or in the case of other trusts, to pass on to their beneficiaries. However, do not complete label **J** and label **K** unless your trust anticipates a trustee assessment affected by the reduction.

Conditions for the reduction:

- the reduction can only apply to taxpayers who would have been entitled to the CGT averaging concession had it not been removed. These are:
  - individuals and
  - trustees, for assessments under sections 98 and 99 of ITAA 1936 which apply individual stepped tax rates.
- for individuals, a net capital gain is included in their taxable income for the 1999–2000 income year. For trustee assessments, the relevant share of net income must be attributable to some extent to the net capital gain of the trust
- there must be a capital gain—that is not disregarded—from a CGT event that happened in the 1999–2000 income year before 11.45a.m. AEST, 21 September 1999. This does not include capital gains that have been entirely disregarded, but can include a gain against which losses have applied under the small business CGT concessions, even if some or all of the remainder was then disregarded. It could also include a gain arising from a trust in which the trustee is a beneficiary—see below.
- the pre-announcement net capital gain amount at label **J** must be greater than zero. For information on how to calculate it see below.
- the gross adjustment amount—additional tax from the removal of averaging—must be more than zero. It may not exceed zero if your taxable income, apart from any net capital gain—or for some taxpayers 'average income' or a 'reduced notional income' —exceeds the top marginal rate threshold.

Where all of a share of net income is net income to which Division 6AA of Part III of ITAA 1936 applies—see Appendix 12 on page 112—there is no reduction in that assessment.

Rebate for lump sums and ETPs

If the relevant share of net income includes an amount rebateable under section 159SA—for example, a death benefit ETP with a rebateable component—and apart from this payment being included, there may have been additional tax from the removal of CGT averaging, complete label **J** and label **K**. Even if there is no direct entitlement to the averaging reduction, it may increase the rebate.

How to complete label J and label K

Notional net capital gain

Firstly, calculate the notional net capital gain for the trust as a whole. This is used instead of the actual net capital gain in working out the additional tax from the removal of averaging. It is the amount that would have been the net capital gain if the changes to the tax law from 11.45a.m. AEST, 21 September 1999 involving frozen indexation, the CGT discount and the new small business CGT concessions had not been made.

In the notional net capital gain, capital gains made throughout the 1999–2000 income year are worked out using the indexation rules applying in the first part of the year, and without the CGT discount rules. For example, a discount capital gain made in December 1999 is recalculated to include—where otherwise allowable—indexation in the cost base. The indexation is worked out using the index number for the December 1999 quarter. The gain is not reduced by the discount percentage. Capital losses and capital gains made up to 11.45a.m. AEST, 21 September 1999, do not need to be recalculated.

If the trust net income includes a share of the net income of another trust, and that share is to some extent attributable to the net capital gain included in that trust's net income, ignore any capital gain taken to arise under subdivision 115-C of ITAA 1997 when you work out your trust's notional net capital gain. Instead, include a proportion of the notional net capital gain of the other trust. The proportion you include is the same as the proportion of the other trust's net capital gain attributable to your trust's share of the other trust's net income. For example, if this is one half of the other trust's net capital gain, include one half of the other trust's notional net capital gain in your trust's notional net capital gain. This assumes that the other trust's notional net capital gain is less than its notional net income. Otherwise, a smaller amount would be included.

Finally, the notional net capital gain is also worked out as though the former small business CGT concessions in

- subdivisions 118-C and 118-F of ITAA 1997 —goodwill and small business retirement exemptions and
- Division 123 of ITAA 1997—small business roll-over,

applied for the whole year, and the new measures in Division 152 of ITAA 1997 had not been enacted. The trustee applies the former provisions as though any necessary choices had been made. The concession notionally applied must be such that it would have been available in the actual circumstances.

Modified net capital gain amount—label K

Note: Work out label **K** before label **J.**

The modified net capital gain amount is the notional net capital gain for the trust PLUS the prior year capital losses applied shown at label **O—Prior year net capital losses applied**.

Note: There are some important changes from earlier years see label **O—Prior year net capital losses applied** on page 53.

The modified net capital gain amount includes the part of any capital gain that has been offset by current and/or prior year capital losses before the application of any actual—or notional—small business CGT concession. Where these losses were from prior years, they MUST be shown at label **O—Prior year net capital losses applied**.

If the trust's notional net capital gain includes an amount from the notional net capital gain of another trust, the same amount is included in your trust's modified net capital gain. Do not add back any of the prior year capital losses applied by the other trustee.

Pre-announcement net capital gain amount —label J

The pre announcement net capital gain amount for the trust is the modified net capital gain amount at label **K**, to the extent that it relates to CGT events that happened up to 11.45a.m. AEST, 21 September 1999 (pre-announcement events). Capital losses and capital gains for later CGT events are ignored.

If the trust's notional net capital gain includes some of the notional net capital gain of another trust, and a proportion of it relates to pre-announcement events in that trust, the same proportion is included in your trust's pre-announcement net capital gain amount. For example, if one-third of your trust's share of that notional net capital gain is attributable to pre-announcement events in the other trust, include one-third in your trust's pre-announcement net capital gain amount.

How the reduction is calculated in trustee assessments

The reduction in a trustee assessment is worked out by:

- calculating the additional tax from the removal of averaging on the relevant share of net income and
- reducing what would otherwise be the basic income tax liability by a percentage of the additional tax.

The additional tax is worked out by comparing tax with, and without, CGT averaging on a 'notional' share of net income, which uses part of the trust's notional net capital gain instead of the beneficiary's share of the trust's actual net capital gain. The percentage—'capital gain adjustment percentage' —reflects the extent to which the beneficiary's share of the trust's net capital gain relates to pre-announcement CGT events, and otherwise would have been subject to CGT averaging.

When additional information is needed

Assessments where Division 6AA of ITAA 1936 applies to only part of the share of net income

If a beneficiary is under 18 years of age, and is—or deemed to be—presently entitled, trustees should refer to Appendix 12 on page 112. Where ALL of a share of net income is subject to Division 6AA there is no reduction in that assessment. Where Division 6AA applies to only part of the relevant share of net income, and part of the beneficiary's share of the net capital gain is excepted trust income to which Division 6AA does not apply, there may be a reduction.

In these situations, show the pre-announcement and modified net capital gain amounts for the trust as a whole at label **J—Pre-announcement net capital gain amount** and label **K—Modified net capital gain amount**. Neither amount is adjusted to exclude income subject to Division 6AA in trustee assessments. However, the trustee must attach a statement titled *CGT averaging reduction—partly excepted income* to the *Trust tax return 2000* setting out the beneficiary's circumstances, including the following details:

- the amount of the share of net income, including the relevant share of the trust's net capital gain, which the trustee considers to be excepted from Division 6AA, and why
- details of the relevant share of the trust's notional net capital gain, including the extent to which it is and is not excepted from Division 6AA and
- details of the relevant share of the trust's notional net capital gain, excluding gains and losses from CGT events happening after 11.45a.m. AEST, 21 September 1999, showing the extent to which it is and is not excepted from Division 6AA.

Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.

Consideration of special circumstances

The ATO works out the reduction in trustee assessments on the assumption that a beneficiary's share of the trust's net capital is an undifferentiated portion of the whole. That is, the share relates to the entire trust net capital gain rather than a particular part of it. This means that (apart from any adjustments to exclude Division 6AA income—see above), the percentage of any additional tax from the removal of averaging allowed as a reduction is worked out from the information for the trust as a whole at label **J** and label **K**.

If the trustee considers that circumstances exist which make this assumption incorrect, attach a statement titled *CGT averaging reduction—adjustment percentage* to the *Trust tax return 2000* setting out fully the facts and the reasons why. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.

Capital gains tax small business roll-over amount—label L

A small business may qualify for CGT relief, including the small business roll-over, if certain criteria are met. For more information see **What's new?** on page 11. Show at label **L** the sum of **C3** and **E3** from the Capital gains worksheet at Worksheet 8 on pages 84–91 being the amount of capital gains, the trust has rolled over under Division 123 or subdivision 152-E of ITAA 1997. For more information refer to *Capital gains tax concessions for small business*. To find out how to get a copy see the inside back cover.

Note: Do not show at label **L** amounts that are exempt under the CGT small business retirement exemption provisions in subdivision 118-F or 152-D of ITAA 1997.

Net capital losses carried forward—label P

Show at label **P** the amount at **F33** in **Part F** of the Capital gains worksheet at Worksheet 8 on pages 84–91 being current year capital losses and prior year net capital losses that have not been applied to offset capital gains. This amount can be carried forward to offset future capital gains.

Do not include prior year net capital losses made from collectables or personal use assets. Keep a note of any net capital loss made from collectables and not applied this year to reduce a capital gain from collectables. This amount can only be applied in future years to reduce capital gains made from collectables.

Do not include net capital losses which have been applied in calculating a capital gains small business roll-over amount or retirement exemption amount.

If any of your commercial debts have been forgiven in the income year, your net capital losses may be reduced (refer to section 102-30 of ITAA 1997).

19 Attributed foreign income—labels S, M, U, X, T and Y

For more information on the calculation of the amounts shown at label **M**, label **U** and label **X** refer to the *Foreign Income Return Form Guide*. For more information on the calculation of the amount shown at label **Y** refer to the *Foreign Investment Funds Guide*. To find out how to get a copy see the inside back cover.

Did the partnership or trust have either a direct or indirect interest in a foreign trust, controlled foreign company or transferor trust?—label S

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

A partnership or trust has an interest in a transferor trust if the partnership or trust has ever made or caused to be made, a transfer of property or services to a non-resident trust. Transfer of property and services are defined in section 102AAB of ITAA 1936. Sections 102AAJ and 102AAK of ITAA 1936 provide guidance in relation to whether there was a transfer, or a deemed transfer, of property or services to a non-resident trust.

If the answer to this question is yes, print **Y** at label **S** and complete Section B of the *Schedule 25A 2000*. If the answer to this question is no, print **N** at label **S**. For more information refer to the *Schedule 25A 2000 instructions*. To find out how to get a copy see the inside back cover.

Broad-exemption listed country—label M

Show at label **M** the amount of net attributed foreign income from controlled foreign entities in broad-exemption listed countries. Broad-exemption listed countries are listed in Part 1 of Schedule 10 of the *Income Tax Regulations*.

A broad-exemption listed country trust is defined in section 102AAE of ITAA 1936.

Limited-exemption listed country—label U

Show at label **U** the amount of net attributed foreign income from controlled foreign entities in limited-exemption listed countries.
Limited-exemption listed countries are listed in Part 2 of Schedule 10 of the *Income Tax Regulations*.

Also show at label **U** the amount of income attributed from a transferor trust if the entire income and profits of the trust are subject to tax in a limited-exemption listed country. Do not include the amount if it is shown at label **M**.

Unlisted country—label X

Show at label **X** the amount of net attributed foreign income from controlled foreign entities in unlisted countries. Unlisted countries are countries that are not listed in Schedule 10 of the *Income Tax Regulations*.

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

Did the partnership or trust have an interest in a foreign investment fund (FIF) or a foreign life assurance policy (FLP)?—label T

If the answer is yes, print **Y** at label **T** and complete Section B of the *Schedule 25A 2000*. If the answer is no, print **N** at label **T**.

Interest in a FIF or FLP has the same meaning as set out in section 483 of ITAA 1936.

FIF/FLP income—label Y

Show at label **Y** the amount of attributed foreign income from FIFs and FLPs. The terms FIF and FLP have the same meaning as set out in sections 481 and 482 of ITAA 1936 respectively.

20 Other assessable foreign source income—labels B, V and Z

Foreign source income is included in the net income of the partnership or trust. Foreign source income that is not shown at item **19—Attributed foreign income** is shown at item **20**.

Gross foreign source income—label B

Show at label **B** the gross amount of assessable income derived by the partnership or trust from foreign sources, other than income already shown at item **19—Attributed foreign income**. Include any foreign tax paid on that income, but do not include any income which is exempt from tax in Australia.

Net foreign source income—label V

Show at label **V** the net income derived by the partnership or trust from foreign sources, other than income already shown at item **19—Attributed foreign income**. This is the gross amount shown at label **B**, less any deductions allowable to the partnership or trust against that income.

The partnership or trust cannot show a loss at label **V**. If the assessable foreign income for a particular class of assessable foreign income is exceeded by the sum of foreign income deductions for that class, the excess is carried forward for offset against future foreign source assessable income of the same class.

Note: Foreign losses are quarantined within the partnership and the trust, and are not available for distribution to the respective partners and beneficiaries. For more information refer to *Taxation Determination TD 92/113*. To find out how to get a copy see the inside back cover.

Prior year foreign source losses

If the assessable foreign income for a particular class of assessable foreign income exceeds the sum of foreign income deductions for that class, the partnership or trust can deduct any allowable foreign source losses for that class brought forward from prior years. The deduction cannot exceed the amount of net foreign income for that class.

Note: Under the trust loss provisions in Schedule 2F to ITAA 1936, rules effective from 2 October 1997 have to be satisfied by a trust before it can use prior year unrecouped foreign losses. For more information about the trust loss provisions see Appendix 10 on page 108.

Allowable prior year Australian source losses (Trust only)

Under section 79DA of ITAA 1936 the trust can choose to use allowable prior year Australian source losses to offset net foreign source income.

Note: Prior year domestic losses are not included at item **20** but at item **22—Tax losses of earlier income years deducted this year**.

Foreign tax credit—label Z

Show at label **Z** the amount of any foreign tax credit claimed against foreign source income.

Chapter 3 of the *Foreign Income Return Form Guide* provides guidance as to how to work out the amounts of net foreign income and foreign tax credit allowable.

For more information on how to calculate the amount of net foreign source income and foreign tax credit that each partner or beneficiary is entitled to, see the Distribution of foreign income and foreign tax credits at Worksheet 7 on page 83.

21 Total of items 17 to 20

Show at item **21** the total of the amounts shown at items **17** to **20**. If this amount is a net loss, print **L** in the box to the right of the amount.

Do not include prior year Australian or foreign source losses here. If the amount shown at item **21** for a trust is a net income amount and the trust is able to deduct the whole or part of a prior year Australian source loss(es) in the 1999–2000 income year under section 36-15 of ITAA 1997, show the amount of the prior year Australian source loss(es) to be deducted, at item **22—Tax losses of earlier income years deducted this year.**

22 Tax losses of earlier income years deducted this year—labels H and C (Trust only)

Primary production—label H
Non-primary production—label C

Show at label **H** any primary production losses from earlier income years which are deductible in the 1999–2000 income year under section 36-15 of ITAA 1997.

Show at label **C** any non-primary production losses from earlier income years which are deductible in the 1999–2000 income year under section 36-15 of ITAA 1997.

Do not include foreign source losses of previous years at item **22**. Show these at item **20—Other assessable foreign income.**

The total of any income shown at label **H** and label **C** cannot exceed the amount of net income shown at item **21—Total of items 17 to 20**. This total amount is shown in the **Net** box.

Under the trust loss provisions in Schedule 2F to ITAA 1936, rules effective from 9 May 1995 have to be satisfied by a trust before it can claim a deduction under section 36-15 of ITAA 1997, for the whole or part of an earlier income year loss. For more information about the trust loss provisions see Appendix 10 on page 108.

Note: Item **24—Losses available to be carried forward to following income years** is completed if the income injection test under the trust loss provisions prevents the trust —including a family trust—from fully claiming a deduction for tax losses of an earlier income year in the 1999–2000 income year (refer to Division 270 of Schedule 2F to ITAA 1936).

If the trust has net exempt income and an excess of assessable income over total deductions—other than tax losses of earlier income years—the tax loss is first deducted from the net exempt income, with any remaining amount of tax loss then being deducted from the excess assessable income (refer to subsection 36-15(3) of ITAA 1997).

Keep details of any claims for undeducted tax losses of earlier income years. Item **24—Losses available to be carried forward to following income years** is also completed.

Losses from primary production may be carried forward indefinitely until deducted irrespective of the year in which the loss was incurred.

A deduction is not available for non-primary production losses incurred in income years up to and including the year ended 30 June 1989. Non-primary production losses incurred in the year ended 30 June 1990 and subsequent years may be carried forward indefinitely until deducted.

Beneficiaries with no interest in trust capital

A life tenant is a beneficiary with an interest in the income of the trust for the duration of their life, but with no interest in the capital of the trust.

If the trust includes a beneficiary who is a life tenant or a beneficiary with no interest in the capital of the trust, no deduction is available for tax losses of earlier income years in calculating the share of those particular beneficiaries in the net income of the trust.

Example:

The XYZ trust has tax losses of earlier income years of $2000. Its net income is $20 000—excluding earlier income years' losses. There are 2 presently entitled beneficiaries of the trust each with a 50 per cent interest in the income of the trust.

One beneficiary is a life tenant. The other has an interest in the income and the capital of the estate.

In calculating the net income of the trust in respect of the life tenant's share, no account is taken of earlier year losses. The life tenant's share of the net income of the trust for tax purposes is 50 per cent of $20 000, being $10 000.

Conversely, in calculating the other beneficiary's share of the net income of the trust, earlier year losses are taken into account. That beneficiary's share of the net income of the trust for tax purposes is 50 per cent of ($20 000–$2000), being $9000.

23 Total net income or loss (Trust only)

The amount shown at item **23** must be equal to the amount shown at item **21—Total of items 17 to 20**, less any amount shown at item **22—Tax losses of earlier income years deducted this year**.

If the amount shown at item **21** was a net loss amount, the total net loss amount shown at item **23** is the same. If the amount shown at item **21** was a net income amount, the amount shown at item **23** cannot be a loss since the total amount which can be claimed as a deduction at item **22** must not exceed the amount of net income shown at item **21**.

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

Do not include foreign source losses at item **23**, show these at item **20—Other assessable foreign income.**

24 Losses available to be carried forward to following income years —labels D and E (Trust only)

Do not include carry forward foreign source losses here, show these at item **20—Other assessable foreign income**.

Note: If the income injection test in Division 270 of Schedule 2F to ITAA 1936 prevents the trust from fully claiming a deduction in the 1999–2000 income year, the amount which the trust is prevented from claiming in the 1999–2000 income year under Division 270 is included in the amount shown at label **D** or label **E** , and the amount of the 'scheme assessable income' within the meaning of Division 270 must be fully included in the amount of total net income of the trust shown at item **23—Total net income or loss**.

Primary production—label D

Show at label **D** the total amount of any primary production losses incurred by the trust for the 1999–2000 or earlier income years which are available to be carried forward and deducted by the trust in future income years under section 36-15 of ITAA 1997.

Non-primary production—label E

Show at label **E** the total amount of any non-primary production losses incurred by the trust for the 1999–2000 or earlier income years which are available to be carried forward and deducted by the trust in future income years under section 36-15 of ITAA 1997.

25 Landcare and water facility tax offset—labels F and G (Trust only)

The landcare and water facility tax offset is a 34 cents in the dollar tax offset and is an ALTERNATIVE to the deductions currently available under the following subdivisions of ITAA 1997:

- subdivision 387-A for expenditure incurred on landcare operations by a partnership or trust carrying on a business of primary production or a partnership or trust carrying on any business using rural land
- subdivision 387-B for expenditure incurred on facilities to conserve or convey water by a partnership or trust carrying on a business of primary production.

Landcare and water facility tax offset claimed—label F

Show at label **F** the amount of landcare and water facility tax offset the trust is entitled to claim under subdivision 387-A and 387-B of ITAA 1997. Print the code in the CODE box indicating the type of expenditure.

Type of expenditure	Code
Landcare operations only	C
Water facilities only	W
Both landcare operations and water facilities	B

Landcare and water facility tax offset brought forward from prior years—label G

Show at label **G** the amount of landcare and water facility tax offset brought forward available to the trust.

This item only applies if the trust's income tax liability from prior years did not absorb all of the landcare and water facility tax offset. Any brought forward tax offset available to a taxpayer is shown on the previous year's tax return. The brought forward tax offset must first be reduced against net exempt income, including any exempt foreign income. Every dollar of exempt income reduces the brought forward rebate by 34 cents.

If the trust has a tax liability in the 1999–2000 income year and intends to apply any brought forward landcare and water facility tax offset against that liability, the brought forward tax offset must also be reduced by any 1999–2000 net exempt income.

Every dollar of net exempt income reduces the brought forward rebate by 34 cents.

Note: If a partnership incurs eligible expenditure on landcare operations and/or water conservation/conveying facilities any deductions, or alternatively tax offsets, are available in each partner's individual tax return, and not to the partnership.

Overseas transactions

26 Overseas transactions

Did the partnership / trust have international dealings, including loans or advances, with related parties overseas, including permanent establishments or head offices? **or** Did the partnership / trust claim as a deduction any interest payable on 'foreign debt' to a 'foreign controller' or non-resident associate?

W Print **Y** for yes or **N** for no.

If yes, complete and attach a *Schedule 25A 2000.*

(Trust only) Was any beneficiary who was not a resident of Australia at any time during the year of income, 'presently entitled' to a share of the income of the trust?

A Print **Y** for yes or **N** for no.

If yes, attach the information requested in the *P and T 2000 instructions.*

Amount of tax spared foreign tax credits **Q** . / **F**

Business and professional items

The following information must be filled in for all partnerships / trusts carrying on a business.

27 Business name of main business

28 Business address of main business

Suburb or town State Postcode **A**

29 Opening stock **C**

30 Purchases and other costs **B**

31 Closing stock **D** CODE

32 Trade debtors **E**

33 All current assets **F**

34 Total assets **G**

35 Trade creditors **H**

36 All current liabilities **I**

37 Total liabilities **J**

38 Proprietors' funds **K**

39 Total salary and wage expenses **L** CODE

40 Payments to related entities **M**

41 Depreciable assets purchased **N**

42 Depreciable assets sold **O**

43 Prescribed payments system income—net of expenses **P**

44 Fringe benefit employee contributions **T**

45 Interest expenses overseas **Q**

46 Royalty expenses overseas **R**

47 Landcare operations and water/conservation expenses (Trust only) **S**

48 Environmental impact assessment and protection expenses **V**

49 Trading stock election Print **Y** for yes or leave blank.

F

50 Medicare levy reduction or exemption

Refer to the *P and T 2000 instructions.* **(Trust only)**

Spouse's 1999–2000 taxable income —if nil show '**0**' **A**

Number of dependent children and students **B**

Full 1.5% levy exemption —number of days **C** CODE

Half 1.5% levy exemption —number of days **D**

F

Medicare levy surcharge and 30% private health insurance tax offset

If you are liable for the Medicare levy surcharge or entitled to the 30% private health insurance tax offset refer to the *P and T 2000 instructions.*

26 Overseas transactions —label W —labels A and Q (Trust only)

With related entities—label W

If the answer to either part of this item is yes, print **Y** at label **W** and complete Section A of the *Schedule 25A 2000*. If the answer to this item is no, print **N** at label **W**. For more information on thin capitalisation see Appendix 3 on page 94.

If you answered yes only to the second part of the item—regarding interest paid on the 'foreign debt' to a 'foreign controller' or non-resident associate—and had no related party international dealings during the income year, complete item 8 of Section A of the *Schedule 25A 2000* and leave item **15** and item **16** blank.

Related party international dealings means transactions, agreements or arrangements between related parties, between a permanent establishment and its head office—or between 2 permanent establishments of the same entity—and includes all transactions between an Australian resident and overseas related parties.

Trust only

Non-resident beneficiaries—label A

Where a non-resident beneficiary is presently entitled to trust income, the trustee generally pays tax on that income. The trustee, at the time of distribution, deducts the tax payable and remits it to the ATO.

Attach a statement for each beneficiary who was a non-resident of Australia at any time during the income year, and who was presently entitled to income of the trust, showing:

- full details of any distribution to the beneficiary, including amounts of interest, royalties, ranked dividends and unfranked dividends
- if withholding tax has been paid and remitted to the ATO from that distribution, the amount of such distribution and the withholding tax paid

- name and residential address
- if any change occurred in the residency status of the beneficiary during the year, details of when the beneficiary became or ceased to be a resident
- if from any distribution made to the beneficiary, tax has been deducted and remitted to the ATO, the amount of credit claimed for remittances made and
- if it is contended that all or part of the non-resident beneficiary's share of the income, included income of the trust derived outside Australia and whilst the beneficiary was not a resident:
  - the beneficiary's share of that income
  - the basis of the contention that the beneficiary is not a resident of Australia.

Also provide evidence that:

- where necessary, approval has been given for the transfer of amounts overseas
- where no amounts have been transferred overseas, the beneficiary's share of income has been applied for the benefit of the beneficiary or otherwise dealt with on behalf of the beneficiary and
- the beneficiary has been notified of the entitlement.

Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the *Trust tax return 2000*.

Amount of tax spared foreign tax credits —label Q

Show at label **Q** the amount of foreign credits relating to foreign tax forgone under an investment incentive provided by a foreign government, where the tax forgone is deemed to have been paid, for the purpose of Australia's foreign tax credit rules (refer to subsection 6AB(5) of ITAA 1936).

27 Business name of main business

The business name of the main business activity should be consistent from year to year, except in the year of a name change or if it is no longer the main business.

If the business name is legally changed, advise the ATO in writing at the time the change is made. The current business name is shown on the tax return.

28 Business address of main business

Show the street address of the main business. It is the place where most of the business decisions are made.

Postcode—label A

Show the postcode of the main business. It is the place where most of the business decisions are made.

29 Opening stock—label C

Show at label **C** the total value of all trading stock on hand at the beginning of the income year or accounting period for which the *Partnership tax return 2000* or *Trust tax return 2000* has been prepared. The amount shown by the partnership or trust at label **C** is the calculated value for income tax purposes under section 70-40 of ITAA 1997. 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 amount that represents opening stock of a business that commenced operations during the income year. This amount is shown at item **4—Expenses**, label **E—Cost of sales**.

30 Purchases and other costs—label B

Show at label **B** the cost of direct materials used for manufacture, sale or exchange in deriving the gross proceeds or earnings of the business.

31 Closing stock—label D

Show at label **D** the total value of all trading stock on hand at the end of the income year or accounting period for which the *Partnership tax return 2000* or *Trust tax return 2000* has been prepared. The amount at label **D** is the value calculated for income tax purposes under section 70-45 of ITAA 1997.

Include motor vehicle floor plan stock and work in progress of manufactured goods.

Exclude any amount that represents closing stock of a business that ceased operations during the income year. This amount is shown at item **4—Total business income**.

Print the code in the CODE box from the list indicating the method used to value closing stock for income tax purposes. Where more than one method is used, use the code applicable to the method representing the highest value.

Valuation method	Code
Cost	**C**
Market selling value	**M**
Replacement price	**R**

Different methods of valuation may be used to value the same item of trading stock in different income years, and similar items may be valued using different methods in the same income year.

However, the opening value of an item in a particular income year must equal the closing value for that item in the previous income year. The partnership or trust 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.

You may elect to value an item of trading stock below the lowest value calculated by any of these methods because of obsolescence or other special circumstances. The value you elect must be reasonable. Where an election has been made to value an item of trading stock below cost, market selling value and replacement price, see item **49—Trading stock election**.

If incorrect trading stock information has been included in the tax return, advise the ATO by submitting a full statement of the facts, accompanied by a reconciliation of the value of stock as returned for each income year with the values permissible under the law.

Partnerships and trusts engaged in manufacturing include the value of partly manufactured goods as part of their stock and materials on hand at the end of the income year.

Note: Refer to *Taxation Ruling TR 98/7* which explains the circumstances in which packaging items held by a manufacturer, wholesaler or retailer are 'trading stock' as defined in section 70-10 of ITAA 1997. To find out how to get a copy see the inside back cover.

32 Trade debtors—label E

Show at label **E** the total amounts owing to the partnership and trust for goods and services provided during the income year—that is, current trade debtors. Also include this amount at label **F—All current assets**.

33 All current assets—label F

Show at label **F** all assets of the partnership and trust, including all current assets, other debtors, fixed, tangible and intangible assets. Include cash on hand, accounts receivable, short term bills receivable, inventories and cash at bank. Also include the amount shown at label **E**—**Trade debtors**.

34 Total assets—label G

Show at label **G** all assets of the partnership and trust, including current, fixed, tangible and intangible assets. Also include the amount shown at label **F**—**All current assets**.

35 Trade creditors—label H

Show at label **H** the total amounts owed by the partnership and trust at year end for goods and services provided during the income year—that is, current trade creditors. Also include this amount at label **I**—**All current liabilities**.

36 All current liabilities—label I

Show at label **I** the total obligations payable by the partnership and trust within the coming year. Also include the amount shown at label **H**—**Trade creditors**.

37 Total liabilities—label J

Show at label **J** all liabilities of the partnership and trust, including other creditors and deferred liabilities such as loans secured by mortgage and long term loans. Also include the amount shown at label **I**—**All current liabilities**.

38 Proprietors' funds—label K

Show at label **K** the net proprietors' funds per accounting records. The amount shown at label **G**—**Total assets** less the amount shown at label **J**—**Total liabilities**, equals the amount shown at label **K**. If this amount is negative, print **L** in the box to the right of the amount.

Note: Proposed measures dealing with lease assignments may affect the amount shown for:

- label **F**—All current assets
- label **G**—Total assets
- label **I**—All current liabilities
- label **J**—Total liabilities
- label **K**—Proprietors' funds.

For more information see **What's new?** on page 13.

39 Total salary and wage expenses—label L

Show at label **L** the salaries and wages and other labour costs actually paid or payable to persons employed in the partnership's or trust's business —excluding those forming part of capital expenditure or paid for private domestic assistance—usually are deductible. However, a partner cannot be an employee of a partnership. Payments to partners of salaries—in reality an allocation of profits prior to general distribution—are not allowable deductions in calculating the net partnership income or loss.

A deduction is only allowed for a payment made or liability incurred by a partnership or trust to a related entity if it is incurred in the production of assessable income and the ATO is satisfied that it is reasonable in amount.

These expenses include any salary and wage component of item **4**—**Expenses**, label **E**—**Cost of sales**—that is, allowances, bonuses, casual labour, retainers and commissions paid to people who received a retainer, and workers' compensation paid through the payroll. Also included are direct and indirect labour costs, directors' fees, holiday pay, locums, long service leave, lump sum payments, other employee benefits, overtime, payments under an incentive or profit sharing scheme, retiring allowances and sick pay. Any salary and wage paid to an associated person is included here and at label **M**—**Payments to related entities**.

However, these expenses 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 fees and consultant fees.

Print the code in the CODE box from the list below that matches the description of the expense component where salary and wage expenses have been wholly or predominantly reported.

Included in the expense component of:

Cost of sales	**C**
All other expenses	**A**

Included in both the expense components of:

Cost of sales and **All other expenses**	**B**

Included in other than:

Cost of sales and/or **All other expenses**	**O**

Note: The group tax reconciliation for the income year normally provides the information required at label **L**.

40 Payments to related entities—label M

Show at label **M** the amounts, including salaries, wages, commissions, superannuation contributions or allowances paid by a private company to related entities. (A related entity has the meaning given by subsections 26-35(2) and 2635(3) of ITAA 1997 and includes a relative).

Also include the amounts of salaries and wages paid to related entities at label **L—Total salary and wage expenses**.

Record retention—Excessive remuneration paid to a related entity may not be deductible and could be treated as an unfranked dividend. Records to establish the reasonableness of remuneration include:

- full name of related entity
- relationship
- age, if under 18 years of age
- nature of duties performed
- hours worked
- total remuneration
- salaries, wages claimed as deductions
- other amounts paid—for example, retiring gratuities, bonuses and commissions.

41 Depreciable assets purchased—label N

Show at label **N** the cost, for income tax depreciation purposes, of all depreciable assets other than buildings, brought into use and first depreciated during the income year for producing assessable income.
The amount shown is the cost of the depreciable assets less adjustments made, such as those made under sections 42-65, 42-165 and 42-285 of ITAA 1997.

Include—for example, purchases of plant and equipment for approved R&D projects.

Exclude—for example:

- purchases of buildings used to produce assessable income
- purchases of buildings used for approved R&D projects
- purchases of assets used to produce exempt income.

For more information see the Depreciation worksheet at Worksheet 1 on page 76.

Measures contained in Division 58 of ITAA 1997 affect the way in which depreciation deductions and balancing adjustments are calculated in respect of depreciable plant previously owned by a tax exempt entity which enters the tax net on or after 4 August 1997 by way of:

- an entity sale—plant continues to be owned by the exempt entity that becomes taxable or
- an asset sale—plant is acquired by a taxable purchaser from a tax exempt entity in connection with the acquisition of a business.

Division 58:

- limits the depreciation deductions available to the first taxable owner in respect of such plant to a choice between the plant's notional written down value and its undeducted pre-existing audited book value at the time the plant enters the tax net
- contains safeguard provisions—in the form of special rules for calculating assessable balancing adjustments under subdivision 42-F of ITAA 1997 —in circumstances where the first taxable owner on-sells such plant to a subsequent purchaser applies to plant that would have qualified for a capital allowance under the provisions of subdivision 330-H of ITAA 1997—transport capital expenditure.

Note: New measures may affect the amount of depreciable assets purchased relating to:

- GST-related expenditure—see **What's new**? on page 6
- the depreciation system—see **What's new**? on page 9
- lease assignments—see **What's new**? on page 13.

For more information refer to the *Guide to Depreciation*. To find out how to get a copy see the inside back cover.

42 Depreciable assets sold—label O

Show at label **O** the amount of each depreciable asset sold, lost or destroyed during the income year. The amount shown is 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.

Include—for example, sales of plant and equipment for approved R&D projects.

Exclude—for example:

- sales of buildings used to produce assessable income
- sales of buildings used for approved R&D projects
- sales of assets used to produce exempt income.

For more information see the Depreciation worksheet at Worksheet 1 on page 76.

Note: New measures may affect the amount of depreciable assets sold relating to:

- GST-related expenditure—see **What's new**? on page 6
- the depreciation system—see **What's new**? on page 9
- lease assignments—see **What's new**? on page 13.

For more information refer to the *Guide to Depreciation*. To find out how to get a copy see the inside back cover.

43 Prescribed payment system income –net of expenses—label P

Complete label **P** where you have entered an amount at item **4—Business income**, label **B—Gross prescribed payments system income**.

Show at label **P** the gross amount of PPS income (item **4,** label **B**) less any allowable deductions related to earning that income. Allowable deductions that relate to both PPS income and non-PPS income are apportioned accordingly.

Note: PPS credits for tax deducted are not an allowable deduction. PPS credits are shown at either item **5—PPS credit**, label **T** or item **8—Share of credits from income**, label **C—Share of PPS credit** (for PPS credits distributed from a partnership or trust).

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

If item **4**, label **B**, is the only income label completed at item **4**, then label **R—Net income or loss from business** equals label **P**.

44 Fringe benefit employee contributions —label T

Show at label **T** all payments you have received from recipients of fringe benefits.

Employee contributions form part of the employer's or associate's assessable income in situations where employees make payments for fringe benefits they have received.

45 Interest expenses overseas—label Q

Show at label **Q** the deductible interest incurred on money borrowed from overseas sources.

This amount is also shown at item **4—Expenses**, label **I—Total interest expenses**.

Note: In general terms, an amount of non-resident withholding tax is required to be deducted from interest paid or payable to non-residents, and also interest derived by a resident through an overseas branch. Under section 221YRA of ITAA 1936 no deduction is allowable unless any withholding tax has been paid to the Commissioner.

Record retention—If interest is paid to non-residents keep the following:

- name and address of recipient(s)
- amount of interest paid or credited
- amount of withholding tax deducted and the date on which it was remitted to the ATO.

For more information on thin capitalisation see Appendix 3 on page 94.

46 Royalty expenses overseas—label R

Show at label **R** the royalty expenses paid during the income year.

This amount is royalties included in item **4—Expenses**, label **J—Total royalty expenses**, plus or minus any reconciliation adjustment for royalty expenses that was included at item **4—Reconciliation items**, label **B—Expense reconciliation adjustments**.

Note: In general terms, an amount of non-resident withholding tax is required to be deducted from interest paid or payable to non-residents, and also interest derived by a resident through an overseas branch. Under section 221YRA of ITAA 1936 no deduction is allowable unless any withholding tax has been paid to the Commissioner.

Record retention—Keep the following:

- name and address of recipient(s)
- amounts paid
- nature of the benefit derived—for example, a copy of the royalty agreement
- details of tax deducted where applicable and the date on which it was remitted to the ATO.

47 Landcare operations and water conservation/conveying expenses—label S (Trust only)

Show at label **S** the amount of any deductions for eligible expenditure on landcare operations and/or facilities to conserve or convey water provided for under subdivisions 387-A and 387-B of ITAA 1997. For more information refer to *Information for primary producers*. To find out how to get a copy see the inside back cover.

Note: The landcare and water facility tax offset may be available for such expenditure—see item **25—Landcare and water facility tax offset** on page 60.

48 Environmental impact assessment and protection expenses—label V

Show at label **V** specified expenditure of a capital nature or otherwise for:

- environmental impact studies allowable under subdivision 400-A of ITAA 1997 and
- environmental protection activities allowable under subdivision 400-B of ITAA 1997.

Any amount shown in the profit and loss account for environmental protection activities expenses or environmental impact assessment expenses is shown at item **4—Expenses**, label **N—All other expenses**. The reconciliation adjustment for tax purposes in respect of these expenses is shown at item **4 —Reconciliation items**, label **B—Expense reconciliation adjustments**.

For more information on deducting expenditure on environmental impact assessment see Appendix 7 on page 104 and/or environmental protection activities see Appendix 8 on page 105.

49 Trading stock election

A partnership or trust may elect to value an item of trading stock below the lowest value of cost, market selling value, or replacement price, because of obsolescence or any other special circumstances. The value it elects must be reasonable—for guidelines on trading stock valuations where obsolescence or other special circumstances exist refer to *Taxation Ruling TR 93/23*. To find out how to get a copy see the back cover.

Where an election is made, print **Y** for yes in the box at this item.

50 Medicare levy reduction or exemption—labels A, B, C and D (Trust only)

A trustee only needs to complete this item if ALL of the following conditions apply:

- the trustee is liable to be assessed on a share of the net income of the trust to which a beneficiary who is under a legal disability is presently entitled
- that beneficiary's share of the net income of the trust is more than $13 550 and
- that beneficiary qualifies for an exemption or reduction in the Medicare levy under one of the categories set out in *TaxPack 2000*.

If there is more than one such beneficiary, attach a statement to the *Trust tax return 2000* setting out the information required at item **50** for each additional beneficiary. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.

Label A

Show at label **A** the taxable income for the 1999–2000 income year of the beneficiary's spouse. If the beneficiary had no spouse or had a spouse who had no taxable income, write **0** at this label.

Label B

Show at label **B** the number of the beneficiary's dependent children and students—if any.

Labels C and D

For details of the various Medicare levy exemption categories refer to *TaxPack 2000*. To find out how to get a copy see the inside back cover.

Label C

Show at label **C** the number of days in the 1999–2000 income year for which the beneficiary was entitled to the full Medicare levy exemption. If you have completed label **C** and the beneficiary has been issued with a Medicare exemption certificate or other official authorisation, print **C** in the CODE box.

Label D

Show at label **D** the number of days during the 1999–2000 income year for which the beneficiary was entitled to a half Medicare levy exemption.

Medicare levy on income to which no beneficiary is presently entitled

Where a trustee is liable to be assessed on that part of the net income of a trust, other than a trust of a deceased person, to which no beneficiary is presently entitled, the Medicare levy may also be payable.

If a trustee is assessed on part or all of the net income of a trust and is liable to pay tax on all of the income so assessed at the top marginal tax rate, the Medicare levy at 1.5 per cent of the net income is also payable.

In other situations, if the net income assessed to the trustee:

- is $416 or less, no Medicare levy is payable
- is in the range of $417 to $450, the Medicare levy is 20 per cent of the excess over $416
- is more than $450, the Medicare levy is 1.5 per cent.

In a trust of a deceased person, no Medicare levy is payable on that part of the net income of the trust to which no beneficiary is presently entitled.

Medicare levy on income to which a beneficiary under a legal disability is presently entitled

The Medicare levy is payable where a trustee is assessed on that part of the trust net income to which a beneficiary who is under a legal disability is presently entitled. It is payable if the levy would have been payable by the beneficiary had that part of the net income been the taxable income of the beneficiary. No Medicare levy is payable by a trustee assessed in respect of a beneficiary under a legal disability presently entitled to less than $13 551 of the trust net income.

Most trustees need not supply any information relating to the Medicare levy. However, some—as mentioned earlier—need to complete the Medicare levy reduction or exemption items on page 5 of the *Trust tax return 2000* so that either no levy or a reduced levy is charged.

Note: **It is not an offence not to quote a tax file number (TFN). However, TFNs help the Australian Taxation Office (ATO) to correctly identify each partner's tax records. The ATO is authorised by the *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997* to ask for information in this tax return. We need this information to help administer the tax laws.**

51 Statement of distribution of net Australian income or loss as shown at item 17

1 Name in full of each partner and TFN or postal address. If the partner is a trustee, including a trustee company, show the name of the trust not the name of the trustee.	2 Share of income Primary production income $	2 Share of income Non-primary production income $	3 Prescribed payments system credit $	4 Reportable payments system credit $	5 Imputation credit $ ¢	6 TFN credit $ ¢
TFN	A	B	C	J	D	E
TFN	A	B	C	J	D	E
TFN	A	B	C	J	D	E
TFN	A	B	C	J	D	E
						+
Totals of each column	A	B	C	J	D	E

F

Important
If any partner, 18 years of age or more at 30 June 2000, does not have real and effective control over his or her share of income, print their name(s). Refer to the *P and T 2000 instructions.*

51 Statement of distribution of net Australian income or loss as shown at item 17

The distribution statement must show only Australian source income or loss, as shown at item **17—Net Australian income or loss** on the *Partnership tax return 2000*.

Show the distribution of this income at item **11 —Partnerships and trusts** in each partner's individual tax return.

Do not show capital gains, attributed foreign income, foreign source income or foreign tax credit on the distribution statement. Record and distribute these separately, keeping details for your records. Include this income or credit in each partner's individual tax return at the following items:

- item **14—Capital gains**
- item **15—Foreign entities**
- item **16—Foreign source income**
- item **16—Foreign tax credits**, label **O**.

Column headings

For paper returns, if the total number of partners is more than 5, list the details in each column as requested for 4 of the partners. The distributions to the rest of the partners must be summarised and included as the 5th line.

For this line print **Summary** in column **1** and show the tax agent's address instead of the partner's address. The other columns show summarised totals for the additional partners.

Attach the list to the *Partnership tax return 2000* showing the details of each additional partner in the same format as the statement of distribution. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.

Column 1:

Show the full name and TFN of each partner. If the TFN is not shown then show the partner's address for the service of notices. Where the partner is a trustee show the name and TFN of the trust.

Column 2:

Show each partner's share of income in whole dollars only. Separate into primary production income and non-primary production income. If a loss is distributed print **L** after the amount.

Column 3:

Show each partner's share of credit for tax deducted from PPS. The total of column **3** equals the sum of any credit claimed at item **5—PPS credit**, label **T** and item **8—Share of credits from income**, label **C — Share of PPS credit**.

Distribution of prescribed payments credit

Credit for tax deducted from prescribed payment made to a partnership is, as a basic rule, to be shared between the partners in the same proportion as their shares of the net prescribed payment income or loss from the partnership (refer to *Taxation Ruling IT 2125*. To find out how to get a copy see the inside back cover). If any partner's share of credit is not in the same proportion as the income or loss distributed to that partner is to the total net income or loss of the partnership, keep a statement showing how the share of credit has been calculated.

If the drawing of salaries creates or increases a partnership net loss, that amount of salaries is not treated as prescribed payment income or loss. Where the drawing of salaries increases a net partnership loss, calculated according to section 90 of ITAA 1936, tax deducted from prescribed payment is shared between the partners on the basis of how, in terms of the partnership agreement, they share in the net prescribed payment loss of the partnership for section 90 purposes before charging salaries. Some examples are given in *Taxation Ruling IT 2125*. For more information about how credit is shared in this situation see the inside back cover.

Where the drawing of salaries is taken into account in determining each partner's share in the partnership's net income or net loss of the partnership, keep full details of the allocation of the credit.

If the partnership distribution is less than the partner's tax-free threshold, and their total income does not attract tax, that partner may have the credit applied for the benefit of those partners who do have a tax liability. This partner attaches a signed statement to the *Partnership tax return 2000* declaring that he/she has no tax to pay and authorises the ATO to apply the refund to the other partners. The credit allocation in the tax return is then prepared to reflect the partner's wishes. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.

Column 4:

Show each partner's share of credit for tax deducted from reportable payments. The total of column **4** should agree with the sum of any credit claimed at item **6—RPS credit**, label **V** and item **8—Share of credits from income**, label **U—Share of RPS credit** on the *Partnership tax return 2000*.

Column 5:

Show each partner's share of imputation credit for franked dividends. The total of column **5** should agree with the sum of imputation credit claimed at item **8—Share of credits from income**, label **D—Share of imputation credits from franked dividends** and item **11—Dividends**, label **M—Imputation** on the *Partnership tax return 2000*.

Column 6:

Show each partner's share of credit for tax deducted on interest and/or dividends by financial institutions as a result of the requirement to quote a TFN. The total of column **6** should agree with the sum of TFN amounts deducted on interest and/or dividends at:

- item **8—Share of credits from income**, label **E—Share of credit for TFN amounts deducted from interest and dividends**
- item **10—Gross interest**, label **I—TFN amounts deducted from gross income** and
- item **11—Dividends**, label **N—TFN amounts deducted from dividends**

on the *Partnership tax return 2000*.

Real and effective control of share in partnership income

If a partner aged 18 years of age or more does not have real and effective control and disposal of their share of income, then further tax is payable. Real control depends on the constitution and control of the partnership and the conduct of its operations. Broadly, a lack of real control exists where the partner must allow their share of income to be dealt with in a particular way so that the partner cannot on their own, deal with it in another way.

Under special circumstances the ATO may treat a partner as having real control of a share of partnership income. If it is considered that this discretion is exercised, provide full information in support of the request. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the *Partnership tax return 2000*.

Note: **It is not an offence not to quote a tax file number (TFN). However, TFNs help the Australian Taxation Office (ATO) to correctly identify each beneficiary's tax records. The ATO is authorised by the *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997* to ask for information in this tax return. We need this information to help administer the tax laws.**

51 Statement of distribution— Is a beneficiary named at Item **51** the trustee of a closely held trust?
If yes, an *Ultimate beneficiary schedule* must be completed. Refer to the *P and T 2000 instructions.* **W** Print **Y** for yes or **N** for no.

1 Name in full of each beneficiary and TFN or postal address	2 Birth date	3 Assmt. calc code	4 Share of income Primary production $	 Non-primary production $	5 Prescribed payments system credit $	6 Reportable payments system credit $	7 Imputation credit $ ¢	8 TFN credit $ ¢	9 Net capital gain $	10 Attributed foreign income $	11 Other assessable foreign source income $	12 Foreign tax credits $ ¢
TFN		V	A	B	C	J	D	E	F	G	H	I
TFN		V	A	B	C	J	D	E	F	G	H	I
TFN		V	A	B	C	J	D	E	F	G	H	I
Income to which no beneficiary is 'presently entitled' and in which no beneficiary has an indefeasible vested interest, and trustees share of credit for tax deducted. Refer to the *P and T 2000 instructions.*		V	A	B	C	J	D	E	F	G	H	I + F
	Totals of each column		A	B	C	J	D	E	F	G	H	I F

The following questions must be answered for all trusts.
If you answered yes to any of these questions, please print **Yes** in the 'other attachments' box on page 1 of this tax return.

52 Beneficiary entitled to family tax assistance
Was any resident beneficiary, whose income from this trust is assessable to the trustee under s98 of ITAA 1936, entitled to claim for family tax assistance?
If yes, please complete and attach a *Family tax assistance—trust schedule 2000* to page 3 of this tax return.
Print **Y** for yes or **N** for no. **F**

53 Beneficiary under legal disability who is 'presently entitled' to income from another trust
Was any beneficiary in this trust, who was under a legal disability on 30 June 2000, also 'presently entitled' to a share of the income of another trust?
If yes, or the answer is not known, please furnish the information requested in the *P and T 2000 instructions.*
Print **Y** for yes or **N** for no.

54 Non-resident trust
Is the trust a non-resident trust?
Refer to the *P and T 2000 instructions* for the definition of a non-resident trust.
Print **Y** for yes or **N** for no.

If yes, state the amount of income derived outside Australia to which no beneficiary is 'presently entitled'. Insert **Nil** if applicable. **$**

51 Statement of distribution

Is a beneficiary named at Item 51 the trustee of a closely held trust?—label W

Trustees of closely held trusts with trustee beneficiaries presently entitled to a share of net income or tax-preferred amounts answer **Y** for Yes at label **W** and are required to complete an *Ultimate beneficiary schedule*. Instructions for completion are given on the form. To find out how to get a copy see the inside back cover.

For more information see new disclosure requirements for trustees in respect of ultimate beneficiaries in **What's new?** on page 3.

Has the trust received an ETP?

Do not show death benefit ETPs on the distribution statement. The trustee is liable to pay the tax, if any, on these amounts. The amount of tax payable by the trustee depends on the components of the ETP and the extent that dependants of the deceased benefit from the estate. For more information see page 46.

Is the beneficiary presently entitled?

Where resident beneficiaries are presently entitled to a share of the income of a trust, and are not under any legal disabilities, it is the beneficiaries who are assessable on their share of the net income of the trust, not the trustee.

A beneficiary is deemed to be presently entitled to income of a trust if they have an 'indefeasible vested interest' in that income. An 'indefeasible interest' is simply one that cannot be defeased or brought to an end or varied by someone else. A 'vested interest' is one that presently exists. However, it can be either a present right or one that can be enjoyed in the future.

Is the beneficiary not presently entitled?

That part of the net income of the trust at item **23—Total net income or loss**, to which no beneficiary is presently entitled and in which no beneficiary has an indefeasible vested interest, is included at the bottom of the distribution statement at the question, **Income to which no beneficiary is 'presently entitled'**.

The trustee also answers **Y** for Yes to the question **Is any tax payable by the trustee?** on page 1 of the *Trust tax return 2000*.

A trustee is liable to pay tax at the maximum rate of personal income tax on income to which no beneficiary is presently entitled. There is a discretion not to apply this provision to a trust that:

- resulted from the will or intestacy of a deceased person
- consists of property either of a bankrupt vested in the official receiver in bankruptcy or that is being administered under Part XI of the *Bankruptcy Act 1966* (as amended)
- consists of property that was transferred to the trustee for the benefit of the beneficiary:
  - by way of, or in satisfaction of a claim for, damages for loss of parental support, personal injury, disease, or physical or mental impairment
  - by way of workers' or criminal injury compensation
  - directly as a result of the death of a person and from the proceeds of a life assurance policy, a superannuation fund or an employer of the deceased person
  - out of a public fund established and maintained exclusively for the relief of persons in necessitous circumstances or
  - as a result of a family breakdown.

If this discretion is exercised, the trustee will not be liable to pay tax at the maximum rate of personal income tax on the income to which no beneficiary is presently entitled. Rather, the trustee pays tax at progressive or shaded-in rates as set out below.

Income $	Tax $	% on excess (marginal rate)
416	Nil	50
694	138.80	20
20 700	4140.00	34
38 000	10 022.00	43
50 000	15 182.00	47

Is the trust a deceased estate?

However, in the case of a trust created as a result of the death of a person, for the first 3 trust tax returns the income to which no beneficiary is presently entitled is taxed to the trustee at general individual tax rates, with the benefit of the full tax-free threshold of $5400.

Thereafter, this income reverts to being taxed at progressive or shaded-in rates of tax as shown above.

The above rules apply to resident trusts only. For more information on the rates applicable to non-resident trusts see the inside back cover.

If the Commissioner's discretion is to be exercised, full details are submitted in support of the request, together with:

1. details of the balance sheet capital accounts
2. where shares are held in private companies and special rights attach directly or indirectly to those shares, a statement showing the name of the company, the class and paid-up value of the shares, details of the special rights, and whether those rights have been exercised during the year
3. where a loan has been made to or by the trust, a statement showing the nature of the debt, the terms of the loan and the borrower's or lender's full name, address and family relationship, if any, to the beneficiaries. To obtain the Commissioner's

discretion, this information need not be furnished for public securities, debentures in public companies and loans made in normal commercial transactions where the parties are at arm's length. Where relatives of the beneficiaries or other persons not at arm's length have made loans to a private company in which the trust holds shares, or to a partnership in which the trustee is a partner, full details must also be given for such loans

4. where a person, other than in a purely commercial transaction at arm's length, has directly or indirectly transferred money or property to the trust, conferred benefits on the trust or conferred special privileges on the property of the trust, state the full name and address of the person and the family relationship, if any, of that person to the beneficiaries
5. the names of any other trusts to which the person in **3.** or **4.** has contributed in the ways mentioned in those sub-paragraphs or in which the beneficiaries of the trust lodging this tax return are interested
6. details of property which has been transferred to a trust by a relative of the beneficiaries and income from that property which must or may be used to pay for that property.

If the Commissioner's discretion is to be exercised for a deceased estate, the information mentioned in **2.** to **6.** is given about the person as a result of whose death that trust arose.

The information required under **2.** to **6.** need not be supplied if it has already been sent in an application for exercise of the Commissioner's discretion for income included in an earlier income year's tax return. However, a statement advising whether or not any material changes have occurred since the information was furnished must accompany the *Trust tax return 2000* if the discretion is exercised for any income included in the tax return being lodged. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.

Completing item 51

The total of the income columns (columns **4**, **9**, **10** and **11** on this statement) equals the amount at item **23—Total net income or loss** on page 4 of the *Trust tax return 2000*—except in the case of certain ETPs, as covered on page 72.

Note: Where part of a distribution is not taxable to either the trustee or a beneficiary—for example, the distribution to a non-resident beneficiary includes:

- dividends, interest or royalties on which withholding tax has been paid/withheld or
- franked dividends

—attach a statement highlighting this giving the information requested at item **26—Overseas transactions**, label **A** and label **Q** on page 62.

You cannot distribute an overall trust loss.

Column headings

For paper returns, if there are more than 3 beneficiaries list the details in each column for 2 of the beneficiaries. The distributions to the remainder must be summarised and included as the 3rd line. For this line print **Summary** in column **1** and show the tax agent's address instead of the beneficiary's address. Show summarised totals for the additional beneficiaries in the other columns.

Attach the list to the *Trust tax return 2000* showing the details of each additional beneficiary in the same format as the statement of distribution. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.

Column 1:

Show the full name and TFN of each beneficiary entitled, presently entitled or having an indefeasible and vested interest. If the TFN is not shown then show the beneficiary's address for the service of notices. Where the beneficiary is a trustee show the name and TFN of the trust.

Column 2:

If the beneficiary is under 21 years of age as at 30 June 2000 show their date of birth.

Column 3:

Insert an assessment calculation code for each beneficiary where the beneficiary is presently entitled to a share of the income of a trust and also against income to which no beneficiary is presently entitled and in which no beneficiary has an indefeasible vested interest. For more information on Trustee assessment calculation codes see Appendix 14 on page 117.

Bankrupt estates are lodged under assessment calculation code 37.

Column 4:

Separate income into primary production income and non-primary production income. If a loss is distributed print **L** after the amount.
A loss is only shown for a component—that is primary production or non-primary production—of an overall trust distribution. You cannot distribute an overall trust loss.

Column 5:
Show each beneficiary's share of credit for tax deducted from PPS. The total of column **5** equals the sum of any credit claimed at item **5—PPS credit**, label **T** and item **8—Share of credits from income**, label **C—Share of PPS credit** on the *Trust tax return 2000*.

Distribution of prescribed payments credit
Credit for tax deducted from prescribed payment made to a trust is shared between the beneficiaries, and the trustee where applicable, in the same proportions as their shares of the net prescribed payment income of the trust, as that term is used in *Taxation Ruling IT 2125*. To find out how to get a copy see the inside back cover.

Show how any credit for tax deducted from prescribed payment is shared between the beneficiaries and the trustee.
If any beneficiary's share of credit is not in the same proportion as the income distributed to that beneficiary is to the total net income of the trust, keep a statement showing how the share of credit has been calculated. Keep similar details on this statement if the trustee's share of credit is not in the same proportion as the net income assessed to the trustee is to the total net income of the trust. Do not attach this statement to the *Trust tax return 2000*.

Where the trust suffered a loss from activities in relation to prescribed payment , credit for any tax deducted from prescribed payment is shown as the trustee's share of credit in item **51** at **Income to which no beneficiary is presently entitled and in which no beneficiary has an indefeasible vested interest, and trustee's share of credit for tax deducted**.

If a beneficiary does not pay tax in the 1999–2000 income year, their credit refund may be applied for the benefit of the other beneficiaries, or the trustee, of the trust who do have a tax liability. In these circumstances the trust distribution must be less than the tax-free threshold of the beneficiary.
This beneficiary, or the trustee on their behalf, where authority exists, attaches a signed statement to the *Trust tax return 2000* stating that he/she has no tax to pay and authorises the Commissioner to apply the refund for the benefit of the other beneficiaries and/or the trustee. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.

Column 6:
Show each beneficiary's share of credit for tax deducted from RPS. The total of column **6** should agree with the sum of any credit claimed at item **6—RPS credit**, label **V** and item **8—Share of credits from income**, label **U—Share of RPS credit** on the *Trust tax return 2000*.

Column 7:
Show each beneficiary's share of imputation credit for franked dividends. The total of column **7** should agree with the sum of imputation credit claimed at item **8—Share of credits from income**, label **D—Share of imputation credits from franked dividends** and item **11—Dividends**, label **M—Imputation** on the *Trust tax return 2000*.

Column 8:
Show each beneficiary's share of credit for tax deducted on interest and/or dividends by financial institutions as a result of the requirement to quote a TFN. The total of column **8** should agree with the sum of TFN amounts deducted on interest and/or dividends at:

- item **8—Share of credits from income**, label **E—Share of credit for TFN amounts deducted from interest and dividends**
- item **10—Gross interest**, label **I—TFN amounts deducted from gross interest** and
- item **11—Dividends**, label **N—TFN amounts deducted from dividends**

on the *Trust tax return 2000*.

Column 9:
Show each beneficiary's share of net capital gain. The total of column **9** should agree with the net capital gain shown at item **18—Capital gains** on the *Trust tax return 2000*.

Column 10:
Show each beneficiary's share of attributed foreign income. The total of column **10** should agree with the sum of any attributed foreign income shown at item **19—Attributed foreign income**, labels **M**, **U**, **X** and **Y** on the *Trust tax return 2000*.

Column 11:
Show each beneficiary's share of other assessable net foreign source income. The total of column **11** should agree with the amount of net foreign source income shown at item **20—Other assessable foreign source income**, label **V—Net** on the *Trust tax return 2000*.

Column 12:
Show each beneficiary's share of foreign tax credit. The total of column **12** should agree with the amount of foreign tax credit claimed at item **20—Other assessable foreign source income**, label **Z—Foreign tax credits** on the *Trust tax return 2000*.

52 Beneficiary entitled to family tax assistance

For more information on family tax assistance refer to *TaxPack 2000*. To find out how to get a copy see the inside back cover.

If you answered **Y** for yes at this item, complete and attach a *Family tax assistance—trust schedule 2000*. To find out how to get a copy see the inside back cover.

53 Beneficiary under legal disability who is 'presently entitled' to income from another trust

In certain circumstances the trustee may have to pay tax on all of the income to which a beneficiary under a legal disability is presently entitled, where the beneficiary is presently entitled to income from one or more other trusts. For more information on relieving provisions see Appendix 13 on page 116.

Where the beneficiary is presently entitled to income from one or more other trusts give the following information for each of those trusts:

- the name of the trust
- the ATO at which the trust tax return is lodged
- the trust TFN
- the income to which the beneficiary is presently entitled.

Where a trustee is unable to provide any part of this information, or where a trustee is unaware if a beneficiary of a trust is also presently entitled to income from any other trust, they must supply all the information that is available and the name and address of the parent or guardian of the beneficiary.

54 Non-resident trust

A trust is a non-resident of Australia if:

- no trustee was resident in Australia or
- the central management and control of the trust were not in Australia at any time during the income year.

If the trust is a non-resident trust, show in the box marked **$** at this item, the amount of income derived outside Australia to which no beneficiary is presently entitled. Print **Nil** if applicable.

Worksheet 1 Depreciation

For more information refer to the *Guide to depreciation*. To find out how to get a copy see the inside back cover. This worksheet has been reduced in size to fit this page.

Depreciation worksheet

Use a new worksheet each year

Primary production only ☐ **Non-primary production only** ☐

Date of addition or adjustment	Description of each unit	Adjustments: Details	Adjustments: Amount	Cost of plant less adjustments	Opening written down value *	Opening undeducted cost #	Disposals: Date	Disposals: Termination value	Balancing adjustments: Assessable income	Balancing adjustments: Deductible	Depreciation: Rate %	Depreciation: Prime cost	Depreciation: Diminishing value	Non-business use %	Deductible amount	Closing written down value *	Closing undeducted cost
			Totals														

Less relief offsets against other plant

Amount to be returned as income (Do not deduct from depreciation)

Deduct for private use

Amount to be claimed as a deduction (Do not include in Total depreciation)

Total depreciation

* The written down value of plant is its original cost less the sum of allowable depreciation deductions. For plant that has had no private or non-income-producing use since acquisition, the written down value will equal the undeducted cost.

\# Opening undeducted cost is the closing undeducted cost from the previous year less adjustments.

Worksheet 2 Reconciliation statement

Reconciliation statement for partnerships and trusts

Reconciliation items are those items that reconcile net profit or loss as per the profit and loss statement with the net income or loss for income tax purposes of the partnership or trust. This statement is not an exhaustive list of reconciliation adjustments.

	Primary production income $	Non-primary production income $
A. Net profit or loss as per profit and loss statement		
Additions:		
B. Income reconciliation adjustments—see below		
C. Expense reconciliation adjustments—see page 78		
Subtraction:		
D. Drought investment allowance		
E. Net income **(A + B+ C) – D**		

Note: The additions at **B** and/or **C** may be negative amounts which will reduce the net income.

The amounts shown for net income at item **E** must agree with labels **Q** and **R** at item **4** on the tax return

Income reconciliation adjustments

Income add backs: Income not shown in the accounts which is assessable for tax purposes.

	Primary production income $	Non-primary production income $
F. Assessable balancing adjustment on the sale of fixed assets		
G. Other assessable income not included in the profit and loss statement		
H. Subtotal **(F + G)**		

Income subtractions: Income shown in the accounts which is not assessable.

	Primary production income $	Non-primary production income $
I. Profit on the sale of fixed assets shown in the accounts		
J. Other income shown in the profit and loss statement which is not assessable for tax purposes—for example, gross exempt income		
K. Total **H – (I + J)**		

The net total of the primary production and non-primary production amounts at **K** must agree with the amount shown at label **A—Income reconciliation adjustments** on the tax return. Where the net total is a negative amount, print **L** in the box to the right of label **A**.

Expense reconciliation adjustments

	Primary production income $	Non-primary production income $
Expense add backs: Expenses shown in the accounts which are not tax deductible.		
L. Depreciation charged in accounts		
M. Loss on the sale of fixed assets shown in the accounts		
N. Other items not allowable as a deduction: • capital expenditure • additions to provisions and reserves • interest disallowed by thin capitalisation provisions • income tax expense • expenses relating to exempt income • other non-deductible expenses		
O. Subtotal (**L** + **M** + **N**)		
Expense subtractions: Items not shown as expenses which are deductible for tax purposes		
P. Depreciation deducted for tax purposes		
Q. Tax loss on disposal of depreciable assets		
R. Other deductible items for tax purposes (exclude drought investment allowance, which should be shown at **D** above)		
S. Total **O** – (**P** + **Q** + **R**)	/	/

The net total of the primary production and non-primary production amounts at **S** must agree with the amount shown at label **B—Expense reconciliation adjustments** on the tax return. Where the net total is a negative amount, print **L** in the box to the right of label **B**.

Worksheet 3 Distribution of income from partnerships or trusts

Name of partnership or trust	Primary production income distribution from a partnership	Primary production income distribution from a trust	Deduction from primary production income distribution	Non-primary production income distribution from a partnership	Non-primary production income distribution from a trust	Deduction from Non-primary production income distribution	Share of any credit of tax deducted from PPS	Share of any credit of tax deducted from RPS	Share of imputation credit from franked dividends	Total share of TFN amounts deducted on interest and/or dividends
Total										
	00	00	00	00	00	00	Put the total at item **8** label **C** on the partnership or trust tax return	Put the total at item **8** label **U** on the partnership or trust tax return	Put the total at item **8** label **D** on the partnership or trust tax return	Less TFN amounts deducted already refunded
	Put the total at item **8** label **A** on the partnership or trust tax return	Put the total at item **8** label **Z** on the partnership or trust tax return	Put the total at item **8** label **S** on the partnership or trust tax return	Put the total at item **8** label **B** on the partnership or trust tax return	Put the total at item **8** label **R** on the partnership or trust tax return	Put the total at item **8** label **T** on the partnership or trust tax return				
										Share of net TFN amounts deducted on interest and/or dividends
										Put the total at item **8** label **E** on the partnership or trust tax return

Worksheet 4 Interest

Who paid the interest	Branch	Account number	Total share of TFN amounts deducted on interest	Amount of interest
		Total **1**.		00
		Less TFN amounts deducted already refunded **2**.		
		Share of net TFN amounts deducted on interest—take **2**. from **1**.		

Put the total at item **10** label **J** on the partnership or trust tax return

Put the total at item **10** label **I** on the partnership or trust tax return

Worksheet 5 Dividend

Name of company or trust	Unfranked amount	Franked amount	Imputation credit	Total share of TFN amounts deducted on dividends
Total	00	00	00	
	Put the total at item **11** label **K** on the partnership or trust tax return	Put the total at item **11** label **L** on the partnership or trust tax return	Put the total at item **11** label **M** on the partnership or trust tax return	Less TFN amounts deducted already refunded
				Share of net TFN amounts deducted on dividends
				00
				Put the total at item **11** label **N** on the partnership or trust tax return

Worksheet 6 Distribution of net capital gain from a trust

This worksheet can also be used to record a partner's share of any net capital gain distibuted from a trust to their partnership.

1 Name in full of each partner or beneficiary entitled to, or having an indefeasible interest in, a share of a capital gain. (If the partner or beneficiary is a trustee, show the name under which the trust return will be lodged)	2 Show proportion of capital gain entitlement	3 Share of net capital gain	4 TFN of partner or beneficiary
Show here any net capital gain to which no beneficiary is presently entitled and in which no beneficiary has an indefeasible vested interest			
Total net capital gain			

Worksheet 7 Distribution of foreign income and foreign tax credits

Partner or beneficiary's name	Tax file number	Net foreign income	Foreign tax credit

For information on completing this form refer to the *Guide to capital gains tax* . To find out how to get a copy see the inside back cover.
Note: If a collectable was acquired for $500 or less, any capital gain or loss is disregarded.

Description of collectable

Date of acquisition Day Month Year

Date of CGT event Day Month Year

Elements of the cost base or reduced cost base	**1** Amount	**2** Amounts to be deducted for cost base [2]	**3** Net amount (**1** – **2**)	**4** Indexation factor [3]	**5** Cost base (**3** x **4**)	**6** Amounts to be deducted for reduced cost base [2]	**7** Reduced cost base (**1** – **6**)
Acquisition or purchase cost of the collectable [1]							
Incidental costs to acquire the collectable							
Incidental costs that relate to the CGT event							
Capital expenditure to increase the collectable's value that is reflected in the state or nature of the collectable at the time of the CGT event							
Balancing adjustments that relate to the collectable [4]							
Capital costs to establish, preserve or defend title to, or a right over, the collectable							
Cost base [5]							
Reduced cost base							

Capital gain calculation

Capital proceeds [6] $ ___________

Less: cost base [5] $ ___________

Less: forgiveness of commercial debts [7] $ ___________

$ ___________

Capital gain $ ___________

Capital loss calculation

Capital proceeds[6] $ ___________

Less: reduced cost base $ ___________

Less: forgiveness of commercial debts [7] $ ___________

$ ___________

Capital loss $ ___________

Repeat the calculation above for every collectable that is the subject of a CGT event.

Total current year capital gains from collectables for which the CGT discount is chosen $ ___________**A1**
Total current year capital gains from other collectables $ ___________**A2**
Total current year capital losses from collectables that are applied against capital gains from collectables for which the CGT discount is chosen $ ___________**A3**
Total current year capital losses from collectables not so applied $ ___________**A4**
Total prior year net capital losses from collectables applied against capital gains from collectables for which the CGT discount is chosen $ ___________**A5**
Total prior year net capital losses from collectables not so applied $ ___________**A6**

1. Money the trust paid or is required to pay and the market value of any property the trust gave or is required to give—worked out at the time of acquisition.
2. Exclude expenditure recouped or that the trust has deducted or can deduct. There are some exceptions—for example, amounts included in assessable income. In some cases, reductions should be made before indexing—for example, recouped expenditure; in others, after indexing—for example, depreciation deductions.
3. Indexation is not available after 11.45a.m. AEST, 21 September 1999 (the start time)—see **What's new?** on page 11. The indexation factor is not used if the CGT asset was held for 12 months or less. There are some exceptions—for example, with roll-overs and assets from deceased estates. Indexation is also not relevant to reduced cost base.
4. Any amount which was included in the trust's assessable income because of a balancing adjustment for the asset or which would have been included except for sections 42-285 or 42-290 of ITAA 1997 or subsection 59(2A) or (2D) of ITAA 1936.
5. Non-capital costs of ownership do not form part of the cost base for collectables.
6. Money and the market value of any property the trust has received, or is entitled to receive, in respect of the CGT event happening. Modifications and special rules may apply to change the capital proceeds for certain CGT events.
   If the capital proceeds are greater than the cost base, a capital gain is made. If the capital proceeds are less than the reduced cost base, a capital loss is made. If the capital proceeds are between cost base—or if applicable the cost base after indexation—and reduced cost base, neither a capital gain nor a capital loss is made.
7. The cost base or reduced cost base of a reducible CGT asset may be reduced by the residual forgiven amount under the provisions of Division 245 in Schedule 2C 'Forgiveness of commercial debts', ITAA 1936. The residual forgiven amount is defined in subsection 245-165(1) in schedule 2C to ITAA 1936.

Note: If the PUA was acquired for $10 000 or less, any capital gain is disregarded. A capital loss the taxpayer makes from a PUA is disregarded.

Description of PUA

Date of acquisition Day Month Year

Date of CGT event Day Month Year

Elements of the cost base	1 Amount	2 Amounts to be deducted for cost base [2]	3 Net amount (1 – 2)	4 Indexation factor [3]	5 Cost base (3 x 4)
Acquisition or purchase cost of the PUA [1]					
Incidental costs to acquire the PUA					
Incidental costs that relate to the CGT event					
Capital expenditure to increase the PUA's value that is reflected in the state or nature of the PUA at the time of the CGT event					
Capital costs to establish, preserve or defend title to, or a right over, the PUA					
				Cost base [4]	

Capital gain calculation

Capital proceeds [5] $ ___________

Less: cost base [4] $ ___________

Capital gain $ ___________

Repeat the calculation above for every PUA that is the subject of a CGT event.

Total current year capital gains from personal use assets for which the CGT is chosen $ ___________**B1**

Total current year capital gains from other personal use assets $ ___________**B2**

1. Money the trust paid or is required to pay, and the market value of any property the trust gave or is required to give—worked out at the time of acquisition.
2. Exclude expenditure recouped or that the trust has deducted or can deduct. There are some exceptions—for example, amounts included in assessable income. In some cases reductions should be made before indexing—for example, recouped expenditure; in others, after indexing—for example, depreciation deductions.
3. Indexation is not available after the start time—see **What's new?** on page 11. The indexation factor is not used if the trust held the PUA for 12 months or less. There are some exceptions—for example, with roll-overs and assets from deceased estates.
4. Non-capital costs of ownership do not form part of the cost base of PUAs.
5. Money and the market value of any property the trust has received, or is entitled to receive, in respect of the CGT event happening. If capital proceeds are greater than the cost base, a capital gain is made.

Description of CGT asset ____________________

Date of acquisition Day | Month | Year

Date of CGT event Day | Month | Year

Elements of the cost base or reduced cost base	1 Amount	2 Amounts to be deducted for cost base [2]	3 Net amount (1 – 2)	4 Indexation factor [3]	5 Cost base (3 x 4)	6 Amounts to be deducted for reduced cost base [2]	7 Reduced cost base (1 – 6)
Acquisition or purchase cost of the other CGT asset [1]							
Incidental costs to acquire the other CGT asset							
Incidental costs that relate to the CGT event							
Non-capital costs of ownership of the other CGT asset [4]							
Balancing adjustments that relate to the other CGT asset [5]							
Capital expenditure to increase the other asset's value that is reflected in the state or nature of the other asset at the time of the CGT event							
Capital costs to establish, preserve or defend title to, or a right over, the other CGT asset							
				Cost base			
						Reduced cost base	

Capital gain calculation

Capital proceeds [6] $ __________

Less: cost base $ __________

Less: forgiveness of commercial debts [7] $ __________

$ __________

Capital gain [8] $ __________

Capital loss calculation

Capital proceeds [6] $ __________

Less: reduced cost base $ __________

Less: forgiveness of commercial debts [7] $ __________

$ __________

Capital loss $ __________

Repeat the calculation above for each other CGT asset that is the subject of a CGT event.

Total current year capital gains from other CGT assets for which either the CGT discount is chosen or which qualify for the small business 50% active asset reduction [9] $__________**C1**

Total current year capital gains from other CGT assets for which both the CGT discount is chosen and which qualify for the small business 50% active asset reduction [9] $__________**C2**

Amount of current year capital gain for which the small business roll-over is chosen [10] $__________**C3**

Remaining current year capital gains from other CGT assets $__________**C4**

Total current year capital losses from other CGT assets applied against capital gains from other CGT assets for which the CGT discount is chosen or which qualify for the small business 50% active asset reduction $__________**C5**

Total current year capital losses from other CGT assets applied against capital gains from other CGT assets for which both the CGT discount is chosen and which qualify for the small business 50% active asset reduction $__________**C6**

Total current year capital losses from other CGT assets not so applied $__________**C7**

Total prior year net capital losses from other CGT assets applied against capital gains from other CGT assets for which the CGT discount is chosen or which qualify for the small business 50% active asset reduction $__________**C8**

Total prior year net capital losses from other CGT assets applied against capital gains from other CGT assets for which both the CGT discount is chosen and which qualify for the small business 50% active asset reduction $__________**C9**

Total prior year net capital losses from other CGT assets not so applied $__________**C10**

If the trust is claiming CGT small business retirement exemption (subdivision 118-F of ITAA 1997) or CGT small business roll-over relief (Division 123 of ITAA 1997) for CGT events that happen before the start time go to **Part D** or **Part E**.

1. Money the trust paid or is required to pay and the market value of any property the trust gave or is required to give—worked out at the time of acquisition. Modifications and special rules may apply to this element of the cost base—for example, market value substitution rule. Special rules may also apply if a capital gain is made when a later change occurs to a replacement asset under CGT small business roll-over provisions in Division 123 or subdivision 152-E of ITAA 1997.
2. Exclude expenditure recouped or that the trust has deducted or can deduct. There are some exceptions—for example, amounts included in assessable income. In some cases, reductions should be made before indexing—for example, recouped expenditure; in others, after indexing—for example, depreciation deductions.
3. Indexation is not available after the start time—see **What's new?** on page 11. The indexation factor is not used if the CGT asset was held for 12 months or less. There are some exceptions—for example, with roll-overs and assets from deceased estates. Indexation is not available for non-capital costs of ownership. It is also not relevant to reduced cost base.
4. Non-capital costs of ownership include interest on borrowed money, rates and land tax, and the cost of repairing or maintaining the other CGT asset. They are included in the cost base provided the other CGT asset was acquired after 20 August 1991.
5. Any amount which was included in the trust's assessable income because of a balancing adjustment for the other CGT asset or which would have been included except for sections 42-285 or 42-290 of ITAA 1997 or subsection 59(2A) or (2D) of ITAA 1936.
6. Money and the market value of any property the trust has received, or is entitled to receive in respect of the CGT event happening. Modifications and special rules may apply to change the capital proceeds for certain CGT events. Special rules apply if a capital gain is made when a later change occurs to a replacement asset under CGT small business roll-over provisions in Division 123 or subdivision 152-E of ITAA 1997. If the capital proceeds are greater than the cost base, a capital gain is made. If the capital proceeds are less than the reduced cost base, a capital loss is made. If the capital proceeds are between cost base—or if applicable the cost base after indexation—and reduced cost base neither a capital gain nor a capital loss is made.
7. The cost base or reduced cost base of a reducible CGT asset may be reduced by the residual forgiven amount under the provisions of Division 245 in Schedule 2C 'Forgiveness of commercial debts', ITAA 1936. The residual forgiven amount is defined in subsection 245-165(1) in Schedule 2C to ITAA 1936.
8. If, before the start time, a capital gain attributable to goodwill is made on a change in the ownership of a business or an interest in a business, or that business or interest ends, half the capital gain is disregarded if the requirements of subdivision 118-C of ITAA 1997 are satisfied.
   Note: Subdivision 118-C has now been repealed as from the start time.
9. A trust may qualify for the CGT discount or the small business 50% active asset reduction of any capital gain made from a CGT event happening to an active asset after the start time, or both. Certain conditions must be satisfied—refer to Division 115 and subdivision 152-C of ITAA 1997. Write at **C1** and **C2** the amount of current year capital gains before applying the CGT discount and/or the small business 50% active asset reduction.
10. A trust may also qualify for the small business retirement exemption or the small business roll-over in respect of the capital gain remaining after the small business 50% active asset reduction is made. Certain conditions must be satisfied—refer to subdivisions 152-D and 152-E of ITAA 1997 . Write at **C3** the amount of capital gains remaining after the small business 50% active asset reduction for which small business roll-over is chosen.
    Note: If a trust which an individual controls claims the small business retirement exemption and the individual received an ETP from the trust, and all or part of the ETP includes a CGT exempt component, the individual must show the amount of the CGT exempt component at label **T**, item **14**, supplementary section in their *Individual tax return 2000*.

Note 1: Use **Part D** only for CGT events that happen before 11.45 a.m. AEST, 21 September 1999 for which the small business retirement exemption contained in subdivision 118-F of ITAA 1997 (which has been repealed as from the start time) is claimed. For CGT events that happen after this time use **Part C** and **Part F**.

Note 2: The exemption in subdivision 118-F of ITAA 1997 is limited to capital gains made on active business assets. Rules for this exemption are contained in that subdivision.

	1	2	3
Active business asset [1]	Capital gain as calculated for **Part C**	Prior year net capital losses applied [2]	CGT small business retirement exemption amount [3] (**1** – **2**)
	Totals	**D1**	**D2**

Prior year net capital losses applied $ ___________**D1**
Transfer the amount at **D1** to **Part F**.

Capital gains tax small business retirement exemption amount $ ___________**D2**

1. List each active business asset for which the trust are claiming CGT small business retirement exemption. Do not list any personal use assets or collectables.
2. A capital gain on the disposal of an asset is reduced by unrecouped prior year net capital losses incurred after 1994–1995 before it is counted as a CGT small business retirement exemption amount. Unrecouped prior year net capital losses are applied in the order in which they were incurred.
3. This amount may be a lesser amount if the trust so elects. The reasonable benefits limit of the controller of the trust, may be relevant in choosing a lesser amount. A $500 000 CGT retirement exemption limit also applies to this exemption for each controller.

   Note: A trust which an individual controls may have claimed the CGT small business retirement exemption. If the individual received an ETP from the trust, and all or part of the ETP includes a CGT exempt component, the individual must show the amount of the CGT exempt component at label **T**, item **14**, supplementary section in their *Individual tax return 2000.*

Note: Use **Part E** only for CGT events that happen before 11.45a.m. AEST, 21 September 1999 (the start time) for which the small business roll-over relief contained in Division 123 of ITAA 1997 (which has been repealed as from the start time) is claimed. Rules for this concession are contained in that Division. For CGT events that happen after this time use **Part C** and **Part F**.

Roll-over assets	**1**	**2**	**3**	**4**	**5**	**6**
CGT asset [1]	Capital gain as calculated for **Part C** (notional capital gain)	Reduction if share or unit [2]	Current year capital losses applied to reduce capital gain [3]	Prior year net capital losses applied [4]	Total capital losses applied (**3** + **4**)	CGT small business net roll-over amount (**1** – **2** – **5**)
Non-goodwill assets [5]						
Goodwill assets [5]						
	Totals		**E1**	**E2**		**E3**

Current year capital losses applied $ ____________**E1**

Transfer this amount to **Part F**.

Prior year net capital losses applied $ ____________**E2**

Transfer this amount to **Part F**.

Capital gains tax small business net roll-over amount $ ____________**E3**

Transfer the sum of **C3** and **E3** to label **L**, item **18** of the *Trust tax return 2000*.

1. List each CGT asset for which the trust is claiming a CGT small business roll-over. Do not list any personal use assets or collectables.
2. If the notional capital gain from a CGT event happening in relation to a share in a company or a unit in a unit trust is more than the amount worked out using this formula, it is reduced by the excess (refer to section 123-20 of ITAA 1997):

$$\text{Unrealised net capital gain from active assets} \times \frac{\text{market value of share or unit}}{\text{total of market values of all shares in the company or units in the unit trust}}$$

3. Roll-over only applies after capital losses are used to offset capital gains. Take the **C7** amount—refer to **Part C**—and apply this amount against each capital gain in the order in which the capital losses were incurred.
4. Take the **C10** amount—refer to **Part C**—and reduce it by any amount of prior year net capital losses applied in working out a CGT small business retirement exemption amount, **D1**—refer to **Part D**. Apply this reduced amount against each capital gain in the order in which the capital losses were incurred. Prior year net capital losses from collectables do not reduce capital gains from other CGT assets. Only net capital losses incurred after 1994–1995 reduce the capital gain as calculated for **Part C**.
5. Work out the roll-over amount for non-goodwill assets before goodwill assets because current year capital losses and prior year net capital losses are first to be applied against non-goodwill assets and then goodwill assets.

Current year capital gains

Current year capital gains from collectables for which the CGT discount is chosen (**A1**) [1]		**F1**
Current year capital gains from other collectables (**A2**)		**F2**
Current year capital gains from personal use assets for which the CGT discount is chosen (**B1**) [1]		**F3**
Current year capital gains from other personal use assets (**B2**)		**F4**
Current year capital gains from other CGT assets for which either the CGT discount is chosen (**C1**) or which qualify for the small business 50% active asset reduction [1]		**F5**
Current year capital gains from other CGT assets for which both the CGT discount is chosen (**C2**) and which qualify for the small business 50% active asset reduction [1]		**F6**
Remaining current year capital gains from other CGT assets [2] (**C4**)		**F7**
Share of any net capital gains from collectables received from a trust which has been reduced by the discount percentage—multiplied by 2 [3]		**F8**
Share of any other net capital gains from collectables received from a trust		**F9**
Share of any other net capital gains received from a trust which has been reduced by the discount percentage or the small business 50% active asset reduction—multiplied by 2 [3]		**F10**
Share of any other net capital gains received from a trust which has been reduced by both the discount percentage and the small business 50% active asset reduction—multiplied by 4 [3]		**F11**
Share of any other net capital gains received from a trust which has not been reduced by either the discount percentage or the small business 50% active asset reduction.		**F12**
Total current year capital gains (sum of **F1** to **F12**)		**F13**

Current year capital losses

Current year capital losses from collectables that are applied against capital gains from collectables for which the CGT discount is chosen (**A3**)		**F14**
Current year capital losses from collectables that are not applied against capital gains from collectables for which the CGT discount is chosen (**A4**)		**F15**
Current year capital losses from other CGT assets that are applied against capital gains from other CGT assets for which the CGT discount is chosen or which qualify for the small business 50% active asset reduction (**C5**)		**F16**
Current year capital losses from other CGT assets that are applied against capital gains from other CGT assets for which both the CGT discount is chosen and which qualify for the small business 50% active asset reduction (**C6**)		**F17**
Current year capital losses from other CGT assets that are not applied against capital gains from other CGT assets for which the CGT discount is chosen nor which qualify for the small business 50% active asset reduction (**C7**) less current year capital losses applied in calculating the CGT small business roll-over amount (**E1**)		**F18**
Total current year capital losses available to be applied (sum of **F14** to **F18**)		**F19**
Current year capital losses applied against current year capital gains [4]		**F20**
Unapplied current year capital losses from collectables [5]		**F21**
Unapplied current year capital losses from other CGT assets [6]		**F22**
Current year capital gains after applying current year capital losses (**F13–F20**) [7]		**F23**

Prior year net capital losses

Prior year net capital losses from collectables (**A5**) ***Less:*** any adjustment to prior year net capital losses for commercial debts forgiven [8] that are applied against capital gains from collectables for which the CGT discount is chosen		**F24**
Prior year net capital losses from collectables (**A6)** ***Less:*** any adjustment to prior year net capital losses for commercial debts forgiven [8] that are not applied against capital gains from collectables for which the CGT discount is chosen		**F25**
Prior year net capital losses from other CGT assets available to be applied (**C8**) ***Less:*** any adjustment to prior year net capital losses for commercial debts forgiven [8] that are applied against capital gains from other CGT assets for which the CGT discount is chosen or which qualify for the small business 50% active asset reduction		**F26**
Prior year net capital losses from other CGT assets available to be applied (**C9**) ***Less:*** any adjustment to prior year net capital losses for commercial debts forgiven [8] that are applied against capital gains from other CGT assets for which both the CGT discount is chosen and which qualify for the small business 50% active asset reduction		**F27**
Prior year net capital losses from other CGT assets available to be applied (**C10**) ***Less:*** • prior year net capital losses applied in calculating a CGT small business retirement exemption amount (**D1**)		
• prior year net capital losses applied in calculating a CGT small business roll-over amount (**E2**)		
• any adjustment to prior year net capital losses for commercial debts forgiven [8]		
that are not applied against capital gains from other CGT assets for which the CGT discount is chosen nor which qualify for the small business 50% active asset reduction		**F28**
Total prior year net capital losses available to be applied (sum of **F24** to **F28**)		**F29**

Prior year net capital losses applied against current year capital gains [9]		**F30**
Unapplied prior year net capital losses from collectables [10]		**F31**
Unapplied prior year net capital losses from other CGT assets [11]		**F32**

Total unapplied net capital losses to be carried forward

Total unapplied current year capital losses and unapplied prior year net capital losses (**F21**+**F22**+**F31**+**F32**)		**F33**

Current year capital gains after capital losses

Current year capital gains after applying capital losses [12] (**F23**–**F30**)		**F34**

CGT discount and small business concessions

Current year capital gains after applying capital losses and after the CGT discount and the small business 50% active asset reduction (if applicable) **F34**–((((**F1**+**F3**+**F5**+**F8**+**F10**)–(**F14**+**F16**+**F24**+**F26**)) **x 50%**) + (((**F6**+**F11**)–(**F17**+**F27**)) **x 75%**)) [13]		**F35**
Capital gains for which the small business retirement exemption or small business roll-over is chosen [14]		**F36**

Net capital gain

Net capital gain [15] (**F35**–**F36**)		**F37**

1. A trust may qualify for the CGT discount only for CGT events that happen after the start time. The trust may choose the CGT discount, for CGT assets acquired at or before that time, if certain conditions are satisfied. For CGT assets acquired after that time the CGT discount applies if the conditions are satisfied—see **What's new?** on page 11.
2. Also include at **F7** capital gains made from CGT events—for example, CGT events **D1** or **H2**—that are concerned directly with capital receipts and do not involve a CGT asset.
3. Although a trust may be eligible for the CGT discount, capital losses must be applied to reduce capital gains before applying the CGT discount and so it is necessary to 'gross-up', by multiplying by 2, its share of any net capital gains received from another trust that has been reduced (by the other trust) by the CGT discount. As well, although a trust may be eligible for the small business 50% active asset reduction it is also necessary to 'gross-up', by multiplying by 2, its share of any net capital gains received from another trust that has been reduced (by the other trust) by the small business 50% active asset reduction and, by multiplying by 4, its share of any net capital gains received from another trust that has been reduced (by the other trust) by both the small business 50% active asset reduction and the CGT discount (refer to subdivision 115-C of ITAA 1997).
4. This amount cannot exceed the amount at **F13**. If **F13** is zero, there should be no amount at **F20**. Current year capital losses from collectables can only be applied against current year capital gains from collectables (**F1** and **F2**) and any share of net capital gains (grossed up if the trust has applied the discount percentage) from collectables received from a trust (**F8** and **F9**).
5. This amount can be carried forward to reduce capital gains from collectables in future years.
6. If there is an amount at **F22** there should be no amount at **F23**.
7. If there is an amount at **F23** there should be no amount at **F22**. The amount at **F23** may be further reduced by prior year net capital losses.
8. Prior year net capital losses are to be reduced by the residual forgiven amount as defined in section 245-125 of Schedule 2C 'Forgiveness of commercial debts', ITAA 1936.
9. This amount cannot exceed the amount shown at **F23**. If **F23** is zero do not complete **F30**. Prior year net capital losses that arose from collectables can only be applied against current year capital gains from collectables (**F1** and **F2**) and any share of net capital gains (grossed up if the trust has applied the discount percentage) from collectables received from a trust (**F8** and **F9**).
10. This amount can be carried forward to reduce capital gains from collectables in future years.
11. There should be no amount at **F34** if there is an amount at **F32**.
12. There should be no amount at **F32** if there is an amount at **F34**.
13. If either the CGT discount or the small business 50% active asset reduction, but not both, applies to a capital gain the capital gain, after being reduced by any losses applied against it, is reduced by 50%. If both the CGT discount and the small business 50% active asset reduction applies, the capital gain, after being reduced by any losses applied against it, is reduced by 75%—that is, 50% then 50% of the remainder.
14. If certain conditions are satisfied a trust may choose the small business retirement exemption or small business roll-over and disregard all or part of the capital gain remaining after the small business 50% active asset reduction (see subdivisions 152-D and 152-E of ITAA 1997). For CGT events that happen before the start time for which a trust chooses the small business retirement exemption or small business roll-over contained in subdivision 118-F and Division 123 of ITAA 1997 respectively, that part of the capital gain that is disregarded is also excluded.
15. The amount at **F37** will not equal **F13**–(**F20**+**F30**)—that is, the net capital gain (label **I** at item **18**) will not equal labels **R**–(**N**+**O**) at item **18**—if there are capital gains for which the CGT discount is chosen and/or which qualify for the small business 50% active asset reduction.

Transfer the following information to item **18** on the *Trust tax return 2000*.

- Transfer the amount at **F13** to label **R**
- Transfer the sum of **E1** and **F20** to label **N**
- Transfer the sum of **D1**, **E2** and **F30** to label **O**
- Transfer the amount at **F37** to label **I**
- Transfer the sum of **C3** and **E3** to label **L**
- Transfer the amount at **F33** to label **P** being the total of net capital losses to be carried forward to future years.

An imputation system for taxing dividends paid by Australian resident companies has applied since 1 July 1987. Dividends paid by resident companies which have paid sufficient Australian tax carry a rebate entitlement for resident shareholders. These dividends are known as franked dividends.

Franked dividends paid to a partnership or trust generally flow through to the partners or beneficiaries who are entitled to a rebate if they are resident individuals, or a franking credit if they are resident companies, on the basis of the imputation credits distributed to them.

The total amount of dividends received or credited, and the imputation credit, is included in the assessable income of the partnership or trust to determine the relevant net income or loss.

The imputation credit is shown at:

- item **11—Dividends**, label **M—Imputation credit** for both partnerships and trusts, if received directly from a paying company
- item **8—Share of credits from income**, label **D —Share of imputation credit from franked dividends** for both partnerships and trusts when received indirectly through another partnership or another trust

However, under section 160AQCBA changes to the imputation system apply from 13 May 1997. For more information see **What's new?** on page 4.

Partnerships

The share of the partnership net income or loss distributed to a resident individual partner is included in the partner's individual tax return. Where a resident individual partner is entitled to some or all of the franked dividends paid to the partnership, the partner is entitled to a rebate equal to their share of the imputation credits attached to the franked dividends, undiminished by the expenses of the partnership.

A partner who is a resident company, and receives some or all of the franked dividends paid to the partnership, is entitled to a franking credit for its share of the imputation credits attached to those dividends, undiminished by the expenses of the partnership. The company is allowed a special deduction so that the imputation credit is effectively excluded from its share of partnership net income.

The deduction is the potential rebate as it relates to the distribution made by the partnership to the company as a partner.

The entitlement of a partner to a share in the imputation credits of the partnership is directly proportional to the partner's share in the net income of the partnership. The principles set out in *Taxation Ruling IT 2125* are applied to determine each partner's proportional share. To find out how to get a copy see the inside back cover.

Non-resident partners

Non-resident partners are not liable for any Australian tax on the franked amount of dividends. Dividends which are not franked—and the unfranked part of dividends which are partially franked—are subject to withholding tax.

Trusts

Franked dividends paid to a trust flow through to the beneficiaries who are entitled to a rebate if they are resident individuals, or a franking credit if they are resident companies, on the basis of the imputation credits distributed to them.

The total amount of dividends received or credited, and the imputation credit, is included in the assessable income of the trust to determine the relevant net income or loss.

Expenses claimed against earning dividend income are shown at item **14—Deductions relating to Australian income**, label **P**.

In certain cases, no beneficiary is presently entitled to some or all of the income of the trust, thus the trustees are liable to pay tax on that trust income. In such cases, the trustees are entitled to a rebate for the amount, or proportional amount, of the imputation credit.

Any imputation credit is lost if the trust makes a loss and distributes nothing to the beneficiary.

The share of the trust's net income assessable to a resident beneficiary is shown in the beneficiary's tax return.

Where that share includes some or all of the franked dividends paid to the trust, the beneficiary is entitled to a rebate equal to their share of imputation credits attached to the franked dividends, undiminished by the expenses of the trust.

A beneficiary who is a resident company and receives some or all of the franked dividends paid to a trust, is entitled to a franking credit for its share of imputation credits attached to those dividends, undiminished by the expenses of the trust. The company is allowed a special deduction so that the imputation credit is effectively excluded from its share of the trust's net income. The deduction is the potential rebate as it relates to the distribution made by the trust to the company as a beneficiary.

For more information refer to *Taxation Ruling TR 92/13*. To find out how to get a copy see the inside back cover.

Share traders

Share traders who operated as a partnership or trust and received dividends during the income year show these at item **11—Dividends** for partnerships and trusts.

Exempt dividends

Keep supporting records if the partnership or trust claims that the whole or part of any dividend, bonus share issue or other distribution is exempt from tax—for example, because FTD tax has been paid on the amount (see page 21 for partnerships and page 27 for trusts).

Foreign source dividends

Foreign source dividends are not subject to the imputation rules, however they are included in the assessable income of the partnership or trust.

If the partnership or trust receives foreign source dividends, include the amounts at item **20—Other assessable foreign source income** for partnerships and trusts.

Unfranked dividends

Unfranked dividends include the unfranked amount of partially franked dividends.

Interest paid to non-residents

Interest paid includes amounts in the nature of interest.

If the partnership paid or credited any interest or amounts in the nature of interest to a non-resident of Australia or has received unfranked dividends and/or interest on behalf of a non-resident of Australia, attach a statement to the *Partnership tax return 2000* showing the amount paid, credited or received on behalf of the non-resident, and whether withholding tax was deducted. If it was not deducted, state why. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return. For more information on Other attachments see page 19.

Appendix 2 Royalties

Royalties include considerations of any kind paid or credited for:

1. the use of, or right to use:
   - **a.** any copyright, patent, design or model, plan, secret formula or process, trade mark or other like property or right
   - **b.** industrial, commercial or scientific equipment
   - **c.** motion picture films
   - **d.** films or video tapes for use with television
   - **e.** tapes for use with radio broadcasting
   - **f.** visual images and or sounds transmitted by satellite, cable, optic fibre or other similar technology
2. the supply of scientific, technical, industrial or commercial knowledge or information
3. the supply of any assistance that is ancillary and subsidiary to, and is furnished as a means of enabling the application or enjoyment of any property, right, equipment, knowledge or information mentioned in **1.a.**, **1.b.** or **2.**
4. the reception of, or the right to receive, visual images and or sounds transmitted to the public by satellite, cable optic fibre or similar technology
5. the use or the right to use in connection with television broadcasting or radio broadcasting, visual images or sounds, or both, transmitted by satellite, or cable, optic fibre, or similar technology and
6. the total or partial forbearance in respect of the previously listed activities.

Royalties derived by an Australian resident are shown in the normal manner.

Royalties paid by a resident to a non-resident may be subject to withholding tax. The rate for royalties is 30 per cent, however where there is a double tax agreement the rate may be reduced to 10 per cent. For more information phone the Investment and royalty withholding taxes helpline on **13 2867**.

For more information on the definition of royalty refer to *Taxation Ruling IT 2660*. To find out how to get a copy see the inside back cover.

Record retention—If the partnership or trust claims a deduction for royalties paid or credited, keep the name and address and the amounts paid or due to each person. If payment was made to a non-resident, keep details on whether or not tax has been paid or an amount withheld to provide for tax payable by the non-resident.

Appendix 3 Thin capitalisation

The thin capitalisation provisions apply to reduce certain interest deductions paid or payable to foreign related parties. If the overseas interest expense is to be reduced, the adjustment is shown at item **4—Reconciliation items**, label **B—Expense reconciliation adjustments.** To calculate the amount of the expense reconciliation adjustment see the Reconciliation statement at Worksheet 2 on pages 77–78.

The full amount of the interest expense is shown at:

- item **4—Expenses**, label **I—Total interest expenses**
- item **9—Rent**, label **G—Interest deductions** and
- item **45—Interest expenses overseas**, label **Q**

whichever are applicable.

In addition, the question at item **26—Overseas transactions**, label **W** is answered **Y** for yes if the partnership or trust claimed a deduction for interest payable on 'foreign debt'—see page 62. If that is the case, it is also necessary to complete item 8 of the *Schedule 25A 2000* and attach it to the *Partnership tax return 2000* or *Trust tax return 2000*.

Thin capitalisation rules

The thin capitalisation provisions—contained in Division 16F of Part III of ITAA 1936—apply to resident partnerships and trusts that are foreign controlled, and to foreign partners, beneficiaries and trustees of Australian partnerships and trusts.

The thin capitalisation rules place a limit, by means of specified non-arm's length debt to equity funding ratios, on the amount of interest expense payable on related party debt that can be deducted for Australian tax purposes. The ratio assists in ensuring that an appropriate amount of profit is derived in Australia, and in protecting Australia's revenue base.

Under the thin capitalisation rules the ratio of related party foreign debt to foreign equity cannot exceed 6:1 for financial institutions and 2:1 for other taxpayers. The ratio of 6:1 is allowed for investments in banks and non-bank financial institutions in recognition of their special funding needs. If a taxpayer exceeds the gearing ratio, deductions for interest paid on the related party debt are disallowed to the extent of the excess.

Generally, these rules do not apply to:

- interest free debt
- debt from arm's length sources or from Australian residents
- foreign debt provided to a partnership or trust under a guarantee from a foreign controller or associate or
- short-term trade credit.

The thin capitalisation rules only apply to reduce the deduction for foreign debt interest where all of the following items are present:

- foreign controller or foreign investor
- foreign debt
- foreign debt interest
- foreign equity product—which may be nil.

Foreign controller

A non-resident is a foreign controller where, either alone or together with any associates—whether residents or non-residents—any of the following tests are satisfied:

- the non-resident is the trustee of the trust
- the non-resident has substantial control of the voting power of the partnership or trust
- the non-resident has a beneficial interest—whether direct or indirect in at least 15 per cent of the capital or profits of the partnership or trust
- the non-resident is capable, under a scheme, of gaining such control or such an interest or
- the partners, or other partners, in a partnership or trustee are accustomed or under an obligation —whether formal or informal—or might reasonably be expected, to act according to the directions, instructions or wishes of the non-resident, either alone or together with an associate or associates.

Indirect beneficial entitlements are traced through a chain of interposed companies, partnerships or trusts to determine whether a non-resident is a foreign controller of the partnership or trust.

A person's beneficial entitlement to a share of the corpus—capital in the case of a unit trust, or income of a trust—is traced through any interposed companies, partnerships or trusts.

Foreign investor

A 'foreign investor' is defined as a non-resident who derives assessable income from sources in Australia, and includes foreign partners, beneficiaries and trustees of Australian partnerships and trusts respectively. Foreign investors are not subject to foreign control tests. Where a foreign investor's total foreign debt exceeds his foreign equity product, a proportion of the foreign debt interest is not allowable as a deduction. For more information if a foreign investor is affected by the thin capitalisation provisions, see the inside back cover.

Associates

In broad terms an associate refers to those persons who, because of family or business connections, might appropriately be regarded as being associated with a particular person.

Substantial control of voting power

A substantial degree of control of a partnership exists where, either directly or indirectly—that is, through one or more interposed companies, partnerships or trusts:

- a person is able to control or conduct the management or affairs of the partnership
- a person has the right to admit or expel, or to veto the admission or expulsion of, a partner to or from the partnership
- a person controls or is capable of controlling 15 per cent of any votes that might be cast at a partnership meeting:
  - for controlling or conducting the partnership management or affairs,
  - for admitting, expelling or vetoing the admission or expulsion of a partner.

A substantial degree of control of a trust exists where, either directly or indirectly—that is, through one or more interposed companies, partnerships or trusts:

- a person is able to appoint or remove, or to veto the appointment or removal of, a trustee of a trust or
- a person controls or is capable of controlling 15 per cent of any votes that might be cast at a meeting to appoint or remove, or to veto the appointment or removal of a trustee of the trust.

Foreign debt

Foreign debt is the balance outstanding on any interest-bearing debt—from non-arm's length sources owing by the partnership or trustee of a trust, directly or indirectly—to a foreign controller or non-resident associates of a foreign controller subject to the following:

- interest is or may become payable to a foreign controller of a partnership or trust, or to a non-resident associate of a foreign controller in respect to the amount owing. It is not necessary for the debt on which the interest is paid, to be owing to the party to whom the interest is or may become payable
- the interest is or will be otherwise allowable as a deduction from the assessable income of the partnership or trust of any income year and
- any debt that bears interest that would be assessable income of the recipient in Australia is generally excluded from the definition of foreign debt.

Foreign debt interest

The interest payable on foreign debt is foreign debt interest.

Foreign equity

The foreign equity of a partnership or trust is determined by calculating the fixed interests of foreign controllers and their non-resident associates in the net income or loss, and capital of the partnership or trust. This is achieved through a formula that adds the fixed interests of foreign controllers and their non-resident associates into the net income or loss, and capital of a partnership or trust. Under the formula the maximum total interests in a partnership or trust may be up to 200 per cent because the fixed interests of the foreign controllers and their non-resident associates in the net income or loss of the partnership or trust may be different to their fixed interests in the assets of the partnership or trust. Accordingly, under the formula the maximum total interests of foreign controllers is halved.

Under the formula a partnership or trust must first determine its total equity. The equity is determined by way of a notional balance sheet prepared at the end of the income year—see page 96. This amount is then multiplied by a fraction determined under the formula that determines the proportion of the capital which is attributable to foreign controllers or their non-resident associates. If the foreign controllers are entitled to half of the net equity of a partnership or trust the fraction is 1:2.

The partnership or trust then determines the proportion of net income or loss, which is attributable to interests held by foreign controllers or their non-resident associates in the income or loss. This is done by determining the amount of net income derived by foreign controllers and their non-resident associates as a result of their fixed interests in the income of the partnership or trust. If the foreign controllers and their non-resident associates are entitled to the entire net income, the fraction is 1:1. If the foreign controllers are entitled to half of the net income, the fraction is 1:2.

The partnership's or trust's foreign equity is then calculated by combining the value of the fixed interests of foreign controllers and their non-resident associates in the capital and net income or loss of the partnership or trust.

A discretionary trust is defined as essentially a trust in respect of which any proportion of the interests of beneficiaries are not fixed. Since foreign equity is determined by the fixed and indefeasible interests of foreign controllers and their non-resident associates in either the net income or capital of the trust, a discretionary trust is treated as having foreign equity of nil. If a trust is treated as having foreign equity of nil, its foreign equity product is nil and it is unable to obtain a deduction for interest on loans from foreign controllers or non-resident associates of the trust. Such discretionary trusts are only able to obtain a deduction for interest on borrowings from arm's length parties or resident associates.

Special rules apply to trusts in which part of the interests are fixed and part of the interests are discretionary. For more information see the inside back cover.

Determination of a partnership or trust's balance sheet

To determine the foreign equity of a partnership or trust, a notional balance sheet is prepared at the end of the income year. The foreign equity of a partnership or trust is the fixed interests of the foreign controllers in the equity at that time, having regard only to the use of property that produces assessable income of the foreign controllers or their non-resident associates. The foreign equity determined through the preparation of the notional balance sheet is then reduced by any amounts owing to the partnership or trust by foreign controllers or their non-resident associates, other than amounts owing in respect of short-term trade credit.

Asset revaluation reserves for partnerships and trusts

In preparing a notional balance sheet for the purpose of the foreign equity calculations, a partnership or trust is allowed to revalue assets of the partnership or trust. Credits to an asset revaluation reserve may only be included at the beginning of an income year, based on revaluations undertaken in the previous income year.

A partnership or trust may only revalue assets up to their arm's length values and must provide for asset revaluation reserves in its accounting records. If the arm's length values of the assets of a partnership or trust are less than the amount shown in the balance sheet as representing the asset revaluation reserve, the asset revaluation reserve is adjusted in accordance with the arm's length value changes for the purposes of determining the foreign equity of the partnership or trust. For example, if a trust's asset revaluation reserve is $10 000 at the end of the income year and the value of the assets has declined since the previous income year by $5000, the trust's asset revaluation reserves are to be reduced to $5000.

Foreign equity product

Foreign equity product is the amount ascertained by multiplying the foreign equity of the partnership or trust by 2.

General

Special provisions in the legislation deal with:

- interposed companies, partnerships and trusts
- the treatment as interest of certain payments made under specified types of financial agreements—for example, hire purchase or lease agreements, and certain payments for bills of exchange and promissory notes
- part-year applications and
- adjustment of foreign equity product in cases involving financial institutions.

Record retention—If the thin capitalisation provisions affect the partnership or trust, keep the following:

- the foreign ownership or control details
- the amount of foreign equity for the income year
- the greatest total foreign debt at any time in the income year
- the calculation of disallowed interest, using the formula below (the full calculation is shown).

Reduction of interest deduction

The amount of foreign debt interest not allowable as a deduction under the thin capitalisation provisions is calculated using the following formula:

$$\frac{A \times E}{D}$$

where:

A for partnerships

the foreign debt interest otherwise allowable as a deduction in calculating the section 90 of ITAA 1936 net income or loss of the partnership for the income year—that is, total foreign debt interest payable during the income year

A for trusts

the foreign debt interest otherwise allowable as a deduction in calculating the section 95 of ITAA 1936 net income of the trust for the income year—that is, total foreign debt interest payable during the year

E the amount by which the greatest total foreign debt of the partnership or trust at any time during the income year exceeds the foreign equity product

D amount of foreign debt referred to in **E**.

Deduct this amount from the total foreign debt interest payable during the year. The resulting amount is claimed at item **14—Deductions relating to Australian investment income**, label **P** on the *Partnership tax return 2000* or *Trust tax return 2000*.

Taxpayers can elect to use an alternative test that measures debt on a weighted average for those days on which the foreign debt-to-foreign equity ratio is exceeded.

For more information if the partnership or trust is affected by the thin capitalisation provisions see the inside back cover.

Additional information relating to thin capitalisation is available in the *Schedule 25A 2000 instructions*.

Appendix 4 Commercial debt forgiveness

Generally, where a commercial debt owed by a partnership or trust (the 'debtor') is forgiven during the income year, the net amount of debts forgiven must be applied to reduce its deductible revenue losses, net capital losses, certain undeducted revenue or capital expenditure and the cost base of assets, in that order.

A debt is a commercial debt if any part of the interest payable on the debt is or would be an allowable deduction, or would be a deduction if not for some specific exception provision. Where interest is not payable, the debt is still a commercial debt if interest, if charged, would have been deductible.

A debt is forgiven if the debtor's obligation to pay the debt is released or waived or otherwise extinguished other than by payment in cash. Special rules apply in relation to debts that are assigned by the debtor's creditor to the debtor's associate or to another person with the debtor's agreement (refer to subsection 245-35(4) of Schedule 2C to ITAA 1936).

Calculation of net forgiven amount

The net forgiven amount of the forgiveness of a debt is calculated as follows:

- determine the notional value of the debt. In the general case, this is the lesser of:
  - the value of the debt at the time of forgiveness —assuming the debtor was solvent at the time the debt was incurred and the debtor's creditworthiness has not changed from the time the debt was incurred and
  - the value of the debt at the time the debt was forgiven plus any amounts allowable as deductions upon termination of the debt. This occurred because of a decrease in the value of the debt due to market movements. Special rules apply in calculating the notional value of non-recourse debt and in respect of debt parking circumstances (refer to sections 245-60 and 245-61 of Schedule 2C to ITAA 1936)
- calculate the gross forgiven amount of the debt by deducting from the notional value of the debt any amount of consideration of the forgiveness. This consideration normally is the sum of the amounts of money the company is required to pay of the forgiveness or, if property is required to be given, the market value of the property. Special rules apply in determining the consideration given of the forgiveness where a debt is forgiven in exchange for shares, where there are debt parking circumstances, or where money or property is applied for the benefit or at the direction of the creditor (refer to sections 245-65 and 245-70 of Schedule 2C to ITAA 1936)
- the gross forgiven amount is then reduced by any amount:
  - which has, is or will be included in the debtor's assessable income
  - by which a deduction otherwise allowable to the debtor has been or will be reduced or
  - by which the cost base to the debtor of any asset has been or will be reduced, as a result of the forgiveness of the debt
- the balance remaining is the net forgiven amount of that debt. The net forgiven amount is then added to the net forgiven amounts of other debts forgiven during the income year to arrive at the total net forgiven amount in respect of the income year.

Application of total net forgiven amount

This total net forgiven amount is applied, in order, in the reduction of the following classes of the company's amounts of:

- deductible revenue losses
- deductible net capital losses
- deductible expenditure and
- cost bases of certain assets.

The debtor may choose the relevant loss, item of expenditure or asset against which the total net forgiven amount is applied within the relevant class, provided it is applied to the maximum extent possible within that class. Once the total net forgiven amount is applied against all the amounts in a class, any excess is applied, in the above order, against the next class. If there is an excess remaining after applying the amount to the maximum extent possible against all classes, this excess is disregarded—however see page 97 for special rules applying in the case of certain partnerships.

Deductible revenue losses are:

- tax losses
- foreign losses of pre-1990 income years and
- foreign losses of post-1989 income years,

which were incurred by the company in an earlier income year and are undeducted at the beginning of the forgiveness year.

Deductible net capital losses are unrecouped net capital losses incurred in respect of income years before the forgiveness year.

Deductible expenditure is limited to expenditure incurred before the forgiveness year which remains undeducted but which, on conditions prevailing at the beginning of the forgiveness year, would be deductible in that year or future years. The deductible expenditures are:

- cost of plant or articles used—or installed ready for use—to produce assessable income
- expenditure incurred in borrowing money to produce assessable income

- expenditure on a telephone line on land on which a business of primary production is carried
- expenditure in connecting or upgrading mains electricity facilities on land used or intended for use in producing assessable income
- expenditure on scientific research
- expenditure on R&D activities
- expenditure in connection with clearing and preparing land for primary production
- expenditure on establishing a grapevine
- expenditure on plant or structural improvements for conserving or conveying water
- expenditure on certain kinds of plant and equipment for use in very large development projects
- expenditure on study to evaluate the environmental impact of an income producing project
- advance revenue expenditure
- expenditure incurred in relation to mining or quarrying operations
- expenditure incurred on exploration or prospecting for minerals or quarry materials
- expenditure incurred in transporting minerals or quarry materials
- expenditure on forestry roads to an area of timber operations
- expenditure on timber buildings used for timber milling business, if the buildings are in a forest or adjacent to a timber milling or timber felling area
- expenditure on acquiring a unit of industrial property to produce assessable income
- expenditure on acquiring an item of intellectual property to produce assessable income
- expenditure on Australian films
- expenditure on assessable income producing buildings and other capital works
- expenditure incurred in establishing horticultural plants.

There are 2 principal methods of reducing deductible expenditures:

- where the deduction is calculated as a percentage of a base amount—for example, prime cost depreciation—the reduction is made to the base amount. The effect is that deductions allowable in the forgiveness year and later years are reduced. Also, the total amount of deductions allowable in respect of the deductible expenditure is limited to the reduced base amount. The amount of the reduction is treated as if it had been a deduction when calculating any required balancing adjustment
- where the deduction in respect of a particular deductible expenditure is calculated as a percentage of an amount worked out after taking into account any deductions in respect of the deductible expenditure previously allowed to the company—for example, depreciation calculated under the diminishing value method—the forgiven amount is taken to have been allowed as a deduction before the forgiveness income year, effectively reducing the 'depreciated value' of the expenditure.

Where as a result of the recoupment of a particular deductible expenditure, a provision of ITAA 1936 or ITAA 1997 applies to disallow any deductions previously allowed to the company in respect of the expenditure, the amount of a total net forgiven amount previously applied in the reduction of the recouped deductible expenditure is treated as assessable income in the year of recoupment.

Cost bases of certain assets owned by the debtor at the beginning of the forgiveness year—referred to as reducible assets—are the final category of amounts that may be reduced by the debtor's total net forgiven amount. Essentially, these are assets where a capital gain or loss might arise on disposal.

Therefore assets not treated as reducible assets include those for which a capital gain or loss will not or is unlikely to arise on disposal—for example, assets acquired prior to 20 September 1985, trading stock or a personal use asset within the meaning of section 108-20 of ITAA 1997. Also excluded are assets the cost of which is deductible, such as depreciable plant or articles.

The debtor may choose the reducible assets whose cost bases are to be reduced and the extent of that reduction. However, the cost base of assets that constitute investments in associates of the company must be reduced last. When a debtor chooses to apply an amount in reduction of the relevant cost bases of a particular reducible asset, then as at any time after the beginning of the forgiveness income year, each of the cost bases —that is, the cost base, indexed cost base and reduced cost base—is taken to be reduced accordingly. Ordinarily, the reduction of an asset's cost bases cannot exceed the amount that would have been the reduced cost base of the asset, calculated as if the asset was disposed of at market value on the first day of the forgiveness income year. However, a special rule applies (refer to subsection 245-190(3) of Schedule 2C to ITAA 1936) if an event occurred after the first day of the forgiveness year that would cause the reduced cost base of the asset to be reduced—for example, because of section 170-175 of ITAA 1997.

The reduction of the relevant cost base of an asset affects the calculation of the amount of the capital gain or loss on the disposal of the nominated reducible asset because the relevant cost base that is taken into account in determining the capital gain or loss must reflect that reduction.

Partnerships

Special rules apply where a partnership—other than a corporate limited partnership—has a total net forgiven amount which cannot be fully applied in reduction of its classes of amounts set out above. Any part unable to be so applied is allocated to the partners in the proportion they share in the net income or loss of the partnership. The allocated amount is added to the individual partner's net forgiven amounts in calculating the partner's total net forgiven amount (refer to subdivision 245-F of Schedule 2C to ITAA 1936).

General mining, petroleum mining and quarrying

Deductions are allowed for expenditure in general mining, petroleum mining and quarrying, on:

- exploration and prospecting for minerals
- mining and quarrying operations
- transporting the product of those operations
- rehabilitating the mine or quarry site

by eligible mining or quarrying operations.

You can deduct the incurred expenditure in the income year if you carry on eligible mining or quarrying operations, or propose to carry on such operations, or carry on a business that includes exploration or prospecting for minerals or quarry materials. For more information refer to *Taxation Ruling TR 98/23*. To find out how to get a copy see the inside back cover.

You can also write-off allowable capital expenditure. Your deduction is worked out by dividing your undeducted expenditure by the lesser of 10 years for mining, or 20 years for quarrying, and the number of years in the estimated life of your petroleum field, or of your longest mine or quarry.

Allowable capital expenditure is expenditure incurred on:

- carrying out eligible mining or quarrying operations
- site preparation
- necessary buildings or improvements
- provision of water, light or power to the site of those operations
- building directly used to operate or maintain treatment plant
- buildings and improvements for storing minerals or quarry materials for treatment
- cash bidding payments for an authority to explore, prospect or mine
- acquiring mining, quarrying or prospecting rights or information to the extent specified in an agreement or
- housing and welfare.

You can deduct capital expenditure on a facility you use principally for mining or quarrying transport. The expenditure is deductible in equal instalments over 10 years for mining transport and 20 years for quarrying and includes capital expenditure on:

- a railway, road, pipeline, port or other facility used principally for mining or quarrying transport
- obtaining a right to construct or install such a facility
- compensation for damage for constructing or installing such a facility
- earthworks, bridges, tunnels or cuttings.

You can deduct expenditure on rehabilitating a mining or quarrying operations site or a prospecting or exploration site. Rehabilitation involves restoring a site to a reasonable approximation of its condition before the mining or quarrying operations, or prospecting or exploration.

For more information on the deductibility of expenditure incurred on tailings, dams or similar mining residue, waste storage or disposal facilities refer to *Taxation Ruling TR 1999/2*. To find out how to get a copy see the inside back cover.

Special building write-off

The special building write-off provisions contained in Division 10C and 10D of ITAA 1936 have been rewritten and replaced by Division 43 of ITAA 1997. Division 43 provides for a system of writing off capital expenditure incurred in the construction of capital works used to produce assessable income.

Capital works

Construction costs in respect of the following capital works may be deducted:

- buildings or extensions, alterations or improvements to a building
- structural improvements or extensions, alterations or improvements to structural improvements
- environment protection earthworks—see Appendix 7 on page 104.

Who can claim?

You can only claim a deduction under this Division for an income year if:

- you own, lease or hold part of a construction expenditure area of capital works
- you incurred the expense and
- you use the building to produce income.

The area you own, lease or hold is called 'your area'. In calculating your deduction you must identify your area for each construction expenditure area of the capital works. Your area may comprise the whole of the construction area or part of it.

Lessee of a building

A lessee can claim a deduction in respect of an area leased or held under a quasi-ownership right. To claim a deduction the lessee must have:

- incurred the construction expenditure or is an assignee of the lessee who incurred the expenditure
- continuously leased or held the building itself, or been so held by previous lessees, holders or assignees since completion of construction and
- used the building to produce assessable income.

If there is a lapse in the lease the entitlement to the deduction reverts to the building owner.

Requirement for deductibility

You can deduct an amount for capital works in an income year if:

- the capital works have a 'construction expenditure area'

- there is a 'pool of construction expenditure' for that area and
- you use the area in the income year to produce assessable income or carry on R&D activities in the way set out in section 43-140 of ITAA 1997.

No deduction until construction is complete

You cannot claim a deduction for any period before the completion of construction of the capital works even though you used them, or part of them, before completion. Additionally, the deduction cannot exceed the undeducted construction expenditure for your area.

Capital works are taken to have commenced when the first step in the construction phase starts—for example, the pouring of foundations or sinking of pilings for a building.

Establishing the deduction base

Expenditure in respect of the construction of capital works is deductible if there is a construction expenditure area for the capital works. Whether there is a construction expenditure area for the capital works and how it is identified depends on the following factors:

- the type of expenditure incurred
- the time the capital works commenced
- the area of the capital works to be owned, leased or held by the entity that incurred the expenditure and
- for capital works begun before 1 July 1997, the area of the capital works that was to be used in a particular manner (refer to section 43-90 of ITAA 1997).

Construction expenditure includes:

- preliminary expenses such as architect's fees, engineering fees, foundation excavation expenses and costs of building permits
- costs of structural features that are an integral part of the income producing building or income producing structural improvements—for example, lift wells and atriums and
- some portion of indirect costs.

In relation to an owner/builder entitled to a deduction under Division 43 of ITAA 1997, the value of the owner/builder's contributions to the work —that is, labour or expertise and any notional profit element—do not form part of construction expenditure (refer to *Taxation Ruling TR 97/25*. To find out how to get a copy see the inside back cover).

Construction expenditure does not include expenditure on:

- acquiring land
- demolishing existing structures
- clearing, levelling, filling, draining or otherwise preparing the construction site prior to carrying out excavation work
- landscaping
- plant
- property for which a deduction is allowable or would be allowable if the property were for use for the purpose of producing assessable income under another specified provision of ITAA 1936 or ITAA 1997.

Construction expenditure area

The construction of the capital works must be complete before the construction expenditure area is determined. A separate construction expenditure area is created each time an entity undertakes the construction of capital works.

Note: For construction expenditure before 1 July 1997, the capital works must have been constructed for a specified use at the time of completion, depending upon the time when the capital works commenced. The first specified use construction time was 22 August 1979 (refer to Table 43-90 and subsection 43-75(2) of ITAA 1997).

Pool of construction expenditure

The pool of construction expenditure is the portion of the construction expenditure incurred by an entity on capital works which is attributable to the construction expenditure area.

Deductible use

You can only get a deduction under this Division if you use your area in a way described in Table 43-140 or 43-145 of subdivision 43-D of ITAA 1997.

Special Rules about uses:

Your area is taken to be used for a particular purpose or manner if:

- it is maintained ready for that use, is not used for another purpose and its use has not been abandoned or
- its use has temporarily ceased because of construction, repairs, etc. or for seasonal or climatic conditions.

Your area is not accepted as being used to produce assessable income if:

- it is used for exhibition or display in connection with the sale of all or part of any building (other than a hotel or apartment building) and where construction began after 17 July 1985 but before 1 July 1997. If construction commenced after 30 June 1997, buildings that are used for display are eligible
- it is used
  - wholly or mainly for residential accommodation or
  - for exhibition or display in connection with the sale of all or part of any building, or the lease of all or part of the building for use wholly or mainly for or in association with residential accommodation and the building construction began after 19 July 1982 and before 18 July 1985
- you use it for residential accommodation—and it is not a hotel or apartment building (for exceptions to this rule refer to section 43-170(2) of ITAA 1997).

Your area is taken to be used as residential accommodation if:

- it is part of an individual's home—other than a hotel or apartment building
- it is used as a hotel, motel or guest house but does not satisfy the definition of a hotel building
- owned by a private company and used, or reserved for use, as residential accommodation for a director or member of the company, or a spouse, parent or child of such a director or member.

Note: Special rules for hotel and apartments are contained in section 43-180 of ITAA 1997.

Calculation and rate of deduction

Your entitlement to a deduction begins on the date the building is first used to produce assessable income. The first and last years of use may be apportioned. The entitlement to a deduction runs for either 25 or 40 years (the limitation period) depending upon the rate of deduction applicable.

The legislation contains 2 calculation provisions:

- section 43-210 of ITAA 1997 deals with the deduction for capital works which began after 26 February 1992
- section 43-215 of ITAA 1997 deals with deductions for capital works which began before 27 February 1992.

Capital works begun before 27 February 1992 and used as described in Table 43-140

The deduction is calculated separately for each part that meets the description of your area.

Your construction expenditure is multiplied by the applicable rate (either 4 per cent if the capital works were begun after 21 August 1984 and before 16 September 1987 or 2.5 per cent in any other case) and by the number of days in the income year in which you owned, leased or held your area and used it in a relevant way. That amount is divided by the number of days in the year.

You apportion the amount if your area is used only partly to produce assessable income.

The amount you claim cannot exceed the undeducted construction expenditure.

Capital works begun after 26 February 1992

The deduction is calculated separately for each part of capital works that meets the description of your area.

There is a basic entitlement to a rate of 2.5 per cent for parts used as described in Table 43-140 (current year use). The rate increases to 4 per cent for parts used as described in Table 43-145 (use in the 4% manner).

Undeducted construction expenditure

The undeducted construction expenditure for your area is the part of your construction expenditure you have left to write off. It is used to work out:

- the number of years in which you can deduct amounts for your construction expenditure and
- the amount that you can deduct under section 43-40 of ITAA 1997 if your area or a part of it is destroyed.

Balancing deduction on destruction

If a building is destroyed or damaged during an income year, the remaining amount of undeducted construction expenditure that has not yet been deducted less any compensation received is allowed as a deduction. Where the destruction or demolition is voluntary, the entitlement to a deduction is unaffected.

The deduction is allowable in the income year in which the destruction occurs.

The deduction is reduced where the capital works are used in an income year only partly for the purpose of producing assessable income or for R&D.

For guidelines issued by the Commissioner on these measures refer to *Taxation Ruling TR 97/25*. To find out how to get a copy see the inside back cover.

Heritage conservation rebate

A 20 per cent rebate on approved heritage conservation expenditure is available for companies, corporate unit trusts and public trading trusts where they have been issued with a final certificate that relates to a specified amount of heritage conservation expenditure.

Heritage conservation works are defined as works done for the purpose of conserving, maintaining, preserving, restoring, reconstructing or adopting a building or structure of cultural significance.

The rebate is allowable if:

- the expenditure is spent on buildings and structures that are listed in the Commonwealth, State or Territory heritage registers
- the expenditure is at least $5000
- the expenditure is not financed out of a fund, donations to which are deductions under Division 30 of ITAA 1997, or by a low interest loan or a Commonwealth, State or Territory grant
- the expenditure is not eligible for a capital allowance, depreciation or deduction under other taxation provisions
- the taxpayer, either alone or with others has a freehold interest in, or a Crown lease over, the land on which the building or structure is situated
- a provisional certificate is obtained from the Minister for Communications, Information Technology and the Arts who administers the scheme.

The provisional certificate remains in force from the time of issue until the earliest of:

- the taxpayer disposing of their interest in the property
- the taxpayer dies
- in the case of the taxpayer being a company, partnership or trust, it is dissolved or otherwise terminated
- 24 months
- upon the expiration of the period or
- on the issue of the final certificate.

The rebate is available in the income year that the final certificate was applied for, not the income year in which the final certificate was issued.

The rebate is subject to limitation in non-arm's length arrangements.

If a partnership is issued with a final certificate that specifies an amount of eligible heritage conservation works expenditure and the partnership has net income for the income year in which the partnership applied for the final certificate, each partner is entitled to a rebate of tax in the partner's individual tax return for that income year equal to:

$$20\% \times \text{Eligible heritage conservation works expenditure} \times \frac{\text{Partner's individual interest in the net income of the partnership of the income year}}{\text{Net income of the partnership of the income year}}$$

If the partnership has no net income for the year in which the final certificate is applied for, no rebate is allowable to the partners.

Where a final certificate has been issued to a trustee of a trust, specifying an amount of eligible heritage conservation works expenditure, the rebate is allowable to the beneficiaries of the trust or, in certain circumstances, it is the trustee who is entitled to the rebate. To qualify for the rebate the trust must have a net income for the income year in which the trustee applied for the final certificate.

A beneficiary is entitled to a rebate in their assessment for the income year if the beneficiary is presently entitled to a share of the income of the trust for the income year and the share of the net income constitutes assessable income of the beneficiary—under section 97 of ITAA 1936. The rebate is determined in accordance with subsection 159 US(2) of ITAA 1936.

The trustee is entitled to the rebate if:

- the trustee is assessable on the share of the net income of a beneficiary who is under a legal disability—under section 98 of ITAA 1936—for the income year in which the trustee applied for the final certificate. The beneficiary's share of the rebate is allowable in the assessment to the trustee on account of the beneficiary for that income year. (The rebate is determined in accordance with subsection 159 US(3) of ITAA 1936) or
- the trustee is assessable on the income of a trust to which no person is presently entitled—under section 99 or 99A of ITAA 1936—for the income year in which the trustee applied for the final certificate. The trustee is entitled to the rebate in the assessment of the trust for that income year. (The rebate is determined in accordance with subsection 159 US(4) of ITAA 1936.)

If the trustee believes that there is an entitlement to either the trustee or beneficiaries for a rebate for heritage conservation, attach a statement giving details of why it is considered that a rebate be allowed. Print **Yes** in the **Have you attached any other attachments**? box on page 1 of the *Trust tax return 2000*.

Trustees of corporate unit trusts and public trading trusts are taxed as if they were companies. Such a trustee who has been issued with a final certificate is entitled to a rebate for eligible heritage conservation expenditure in the assessment of the trust for the income year in which the final certificate was applied for.

Infrastructure borrowings

The previous infrastructure borrowings tax concession which was introduced in 1992 to facilitate private sector investment in certain publicly accessible infrastructure projects, was closed with effect from 14 February 1997. The provisions relating to the concession are contained in Division 16L of ITAA 1936 and Chapter 3 of the *Development Allowance Authority Act 1992*.

The tax concession was, broadly, by way of an exemption of the lender's interest on borrowings —or, as an option, a tax rebate of 36 per cent of the interest—and non-deduction for the borrower's interest. In addition, any profit or loss on the disposal of an infrastructure borrowings instrument was non-assessable or non-deductible. Eligible infrastructure facilities included:

- land transport
- seaport
- electricity generation
- air transport
- gas pipeline
- water supply and
- sewerage or waste water facilities.

The replacement land transport infrastructure rebate contained in Division 396 of ITAA 1997 is a more restricted concession. Only road and rail infrastructure facilities may be approved infrastructure projects.

(As a transitional measure, however, projects of which an application had been made under the previous concession, extensions of projects certified under the previous concession, or projects certified after the cessation of the previous concession, may be approved.)

The concession is in the form of a tax offset on the taxable interest of a resident lender to an approved infrastructure project. The offset is calculated by applying the general company tax rate to the lender's assessable interest, but may be subject to an upper limit set by the Minister for Transport and Regional Services.

Where the lender's interest is subject to a tax offset, the project borrower is denied a deduction in respect of a comparable amount of interest.

Tax offsets are allowable only in the first 5 income years after the first borrowing for the infrastructure project.

Appendix 6 Foreign exchange gains and losses of a capital nature

Assessable income of a partnership or trust includes realised gains of a capital nature related to carrying on business or earning assessable income where the gains arise from the effect on certain eligible contracts of changes in the value of foreign currency relative to Australian currency. Any such foreign exchange gain is included in assessable income at item **12—Other Australian Income**, label **O**.

A loss of that type which is realised on an 'eligible contract' may be deductible. The amount of any deduction is reduced by any gain made on a related contract entered into by a partner, trustee or an associated person, if the gain has not been and will not be included in any party's assessable income. And if another person who is not an associate makes a gain from a related contract, the deductible loss to the partnership or trust is reduced by the lesser of the amount of the gain not included in the other person's assessable income and the amount of any compensation paid by the other person to the partnership or trust. Any deductions are claimed at item **15—Other deductions**, label **Q**.

An eligible contract is one entered into after 18 February 1986, unless it is a 'hedging contract' entered into after that date to lessen exposure to risks from movements in foreign currency in relation to another contract entered into on or before that date. A loan contract taken out before 19 February 1986 which is extended or rolled over after that date may be treated as an eligible contract.

Examples of eligible contracts are:

- a contract for a business loan of foreign currency
- a contract to pay—or receive—foreign currency for the purchase or sale of a capital business asset
- a foreign currency business or investment bank account
- forward cover hedging contracts relating to the above contracts.

Possible capital gains tax consequences

There may be CGT consequences if there is a CGT event—for example, a disposal—in relation to assets which are expressed in foreign currency.

Note: Foreign currency is itself an asset for CGT purposes.

Record retention—If the partnership or trust is claiming a foreign exchange loss, keep the following:

- the date the partnership or trust entered into the contract
- the terms of the contract
- the purposes in entering into the contract and
- whether the loss has been offset against any other foreign exchange gains of a capital nature.

Appendix 7 Environment impact assessment

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 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 is 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 is limited to the amount which would have been incurred had the parties been dealing at arm's length.

Appendix 8 Environment protection expenditure

Under subdivision 400-B of ITAA 1997 expenditure incurred for the sole or dominant purpose of carrying out environmental protection activities, can be deducted in the income year. Environmental protection activities are activities which are related to the production of assessable income—other than assessable income attributable to a net capital gain—and which are undertaken to prevent, fight or remedy pollution of the environment or to treat, clean up, remove or store waste.

The pollution or waste must result, or be likely to result, from an income-producing activity, or be pollution of or from, or waste on or from, the site or proposed site of that activity. The company is also eligible in respect of pollution of or from, or waste on or from, a site on which a predecessor carried on substantially the same business activity.

The deduction is not available for:

- bonds and security deposits for the performance of environmental protection activities
- expenditure incurred in calculating an amount of depreciation that is deductible under Division 42 of ITAA 1997
- the cost of acquiring land
- the capital cost of constructing or altering buildings, structures or structural improvements
- costs incurred which the company can deduct under another provision.

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

Expenditure on environmental protection activities that is also environmental impact assessment expenditure, is not deductible as expenditure on environmental protection activities.

Example:

A study to determine the quantity and type of pollutants which are produced from a process used in a proposed business that is expenditure on environmental protection activities. Such expenditure also may be environmental impact assessment expenditure. The expenditure is deductible over the lesser of 10 years or the life of the project and is excluded from a deduction as expenditure on environmental protection activities.

If the deductible expenditure is recouped, the recoupment is included in assessable income under subdivision 20-A of ITAA 1997, if it is not otherwise assessable income.

Where the deduction arises from a non-arm's length transaction and the amount of the expenditure is greater or less than the market value of what the expenditure is for, the amount of the expenditure is taken to be that market value (refer to subsection 400-65(3) of ITAA 1997).

Expenditure incurred on or after 19 August 1992 on earthworks, or extensions, alterations or improvements to earthworks, constructed as a result of carrying out an environmental protection activity as described in paragraph 400-60(1)(a) or (b) of ITAA 1997, 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 (refer to subsection 43-20(5) of ITAA 1997).

Appendix 9 Deductions applicable to partners

Capital allowance for primary producers and some landholders

A deduction is not available to a partnership for the following expenses deductible under Division 387 of ITAA 1997:

- landcare operations
- water conservation
- mains electricity supply
- telephone lines.

Eligible expenditure on these items is deductible in the partner's individual tax return. A deduction is available to each partner in accordance with any agreement on how the expenditure is to be borne, or in the absence of any agreement according to each partner's interest in the partnership income or loss.

For more information on mains electricity connection refer to *Taxation Ruling IT 2592*. To find out how to get a copy see the inside back cover.

Film industry incentives

The conditions under which concessions are available if a partnership invests in or contributes money to the production of a qualifying Australian film are explained in *Australian film industry incentives*. To find out how to get a copy see the inside back cover.

The concession does not apply in the calculation of the partnership net income or loss but is available instead in the partner's individual tax return. Capital expenditure is treated as having been expended by the partners according to any agreements to how the expenditure is to be borne, or in the absence of any agreement, according to each partner's interest in the partnership income. Similarly, film income is apportioned to each partner.

Income equalisation and/or farm management deposits and withdrawals

Partnerships that carry on a business of primary production are not entitled to deductions for Income Equalisation Deposits (IEDs) or Farm Management Deposits (FMDs). However, deductions for IEDs/FMDs are allowable to partners—other than companies—in partnerships that carry on a business of primary production in Australia.

Partners cannot claim an IED/FMD deduction for an amount that exceeds their deposits, or their taxable primary production income in the 1999–2000 income year, whichever is the lesser. Also, partners cannot claim a deduction for any FMDs if their taxable non-primary production income for the 1999–2000 income year is more than $50 000. The maximum amount that can be held at any one time as IEDs and/or FMDs is $300 000.

Income Equalisation Deposits Scheme

This scheme was designed to reduce fluctuations in the income of primary producers. Primary producers put money aside in good years for use in bad years, by lodging deposits with the Department of Primary Industries and Energy.

Any interest earned on an IED is assessable in the income year in which the request for repayment of the deposit is made (refer to sections 159GA(5) and 159GD of ITAA 1936).

IEDs are no longer accepted after 2 April 1999.

Farm management bond

A farm management bond (FMB) is a special category of deposit under the IED Scheme. Special conditions and terms apply.

IEDs/FMBs that were not redeposited as FMDs by 31 December 1999 or withdrawn by that date became repayable to the depositor. No interest is payable on IEDs/FMBs for any period after 31 March 2000.

Farm Management Deposits Scheme

This scheme which commenced on 2 January 1999 replaces the IED/FMB Scheme and is similar to the IED scheme in that it is designed to reduce fluctuations in a primary producer's income. Primary producers can claim a deduction in the income year an amount is deposited into an FMD. When the deposit is withdrawn they are assessed on the withdrawal up to the amount of the deduction claimed when it was deposited (refer to Division 393 of Schedule 2G to ITAA 1936).

A FMD is different to an IED in that a FMD is lodged with either a bank or an authorised financial institution.

If a FMD is repaid it is assessable to the extent of any amounts previously deducted (refer to section 393-15 of Schedule 2G to ITAA 1936).

If an assessable withdrawal is made from the FMD Scheme, an amount will be deducted from the repayment as a tax instalment. For repayments made on or after 1 July 2000, the PAYG instalment system will apply.

For more information on IEDs/FMDs,:

- contact your financial institution—for FMD interest rates, etc.
- phone the Department of Agriculture, Fisheries and Forestry Australia (formerly Department of Primary Industries and Energy) on 1800 808 869
- refer to *Information for primary producers*. To find out how to get a copy see the inside back cover.

Partnership losses

Where a partnership loss is incurred by a partnership in an income year, individual partners can claim a deduction for their share of the partnership loss.
A partnership loss is incurred where the allowable deductions, other than deductions allowable under section 82AAT of ITAA 1936 or Division 36 of ITAA 1997 exceed the assessable income of the partnership. The partnership loss is the amount of that excess.

An exception to this is foreign source losses, which are carried forward within the partnership. For more information refer to *Taxation Determination TD 92/113*. To find out how to get a copy see the inside back cover.

Research and development expenditure

Companies incorporated in Australia may be eligible for deductions of up to:

- 125 per cent as from 21 August 1996
- 150 per cent from the 1994–1995 income year until 20 August 1996

for expenditure incurred on qualifying R&D expenditure carried out in Australia.
A partner in a partnership of otherwise eligible companies may be eligible for the R&D concession for qualifying expenditure on or after 21 November 1987.
Instructions on the R&D concessions are in the *Company tax return 2000 Instructions* at Appendix 4 on page 83. To find out how to get a copy see the inside back cover.

Superannuation

For information on claiming a deduction for personal superannuation contributions refer to *TaxPack 2000 Supplement*. To find out how to get a copy see the inside back cover.

Appendix 10 Trust loss and bad debt legislation—Schedule 2F to ITAA 1936

Legislation was enacted during 1997–1998 which affects the deductibility by trusts of prior year losses, debt deductions—bad debts and debt/equity swap amounts—and other current year amounts. These provisions are contained in Schedule 2F to ITAA 1936. The following provides a broad overview of the legislation. For more information on the trust loss provisions, family trust elections or interposed entity elections, phone the Trust hotline on **1800 634 725**.

Dates of effect:

- the measures affecting the deductibility of prior year losses and current year amounts apply from 7:30p.m. AEST, 9 May 1995
- the debt deduction provisions apply from 7:30p.m. AEST, 20 August 1996
- provisions affecting the deductibility of quarantined foreign losses apply from 2 October 1997.

The application and transitional provisions are contained in items 13 to 26 of Schedule 1 to Trust Loss Act.

Types of trust for the purposes of the legislation

The legislation applies to 2 broad categories of trusts referred to in the measures as:

- fixed trusts—defined in section 272-65 of Schedule 2F to ITAA 1936—and
- non-fixed trusts (including discretionary trusts) —defined in section 272-70 of Schedule 2F to ITAA 1936.

Excepted trusts—defined in section 272-100 of Schedule 2F to ITAA 1936—include family trusts (as defined, see page 26), complying superannuation funds, complying approved deposit funds, pooled superannuation trusts, deceased estates administered within 5 years, and fixed unit trusts that are directly or indirectly wholly owned by tax exempt bodies.

Ownership and control tests

If a trust fails an ownership or control test which applies to it under the legislation the trust may:

- be prevented from deducting its tax losses of earlier income years
- have to work out in a special way its net income and tax loss
- be prevented from deducting certain amounts in respect of debts—that is, debt deductions—incurred in the income year or earlier income years.

Fixed trusts which are not excepted trusts are subject to the 50 per cent stake test which tests for continuity of majority underlying beneficial ownership of the trust during the relevant periods. Fixed trusts which are listed widely held trusts —as defined in section 272-115 of Schedule 2F to ITAA 1936—that fail the 50 per cent stake test but pass the same business test may avoid the above consequences. Refer to Division 266 of Schedule 2F to ITAA 1936 in relation to the ownership tests that apply to fixed trusts.

Non-fixed trusts which are not excepted trusts are subject to:

- the 50 per cent stake test—if applicable
- the control test, and
- the pattern of distributions test—if applicable.

Refer to Division 267 of Schedule 2F to ITAA 1936 in relation to the ownership and control tests that apply to non-fixed trusts.

These ownership and control tests do not apply to excepted trusts, including family trusts—as defined.

Tracing concessions where fixed entitlements are held by certain kinds of companies, funds or trusts

For the purpose of applying the 50 per cent stake test or the pattern of distribution test to a trust under the legislation, there are concessional tracing rules in relation to fixed entitlements that are held directly or indirectly by:

- a government body
- a special company—as defined
- certain kinds of funds
- a family trust—as defined
- a listed public company or
- a widely held unit trust

(refer to sections 272-25 and 272-30 of Schedule 2F to ITAA 1936).

Income injection test

Under the legislation, a trust—including a family trust—involved in a scheme to take advantage of deductions to the trust may be prevented from making full use of the deductions under the income injection test contained in Division 270 of Schedule 2F to ITAA 1936.

In general terms, the income injection test applies where under a scheme an outsider—as defined —provides a benefit to the trust, a benefit is provided to the outsider by the trust, and either of those benefits were provided, or assessable income was derived by the trust wholly or partly, but not merely incidentally, because a deduction was allowable to the trust.

Appendix 11 Instructions to trustees of deceased estates

If you are:

- the legal representative (an administrator or executor) of a deceased estate
- collecting information on behalf of an administrator or
- a beneficiary in a deceased estate

these instructions will assist you in completing the *Trust tax return 2000* for a deceased estate.

Deceased estates generally

A 'deceased estate' is a trust. Unlike a natural person or a company, a trust is not a legal entity in its own right, but a relationship between beneficiaries. The trustee is responsible for administering the trust property in the best interests of the beneficiaries.

A trust is made up of:

- the assets of a deceased person (the trust property)
- the beneficiaries—who in a typical deceased estate are those normally named in the will of a deceased person, although in some circumstances the courts may vary the terms of a will. Beneficiaries may include the surviving partner, children and grandchildren, also charitable or scientific institutions and religious bodies and
- the trustee—who is usually appointed by the deceased person's will. For income tax purposes, the legal representative of a deceased estate is the trustee of the deceased estate.

Note:

- any tax liabilities of the deceased person are paid out of the deceased estate
- if the administration of the estate takes some time, assets may earn income, and the estate may incur expenses. A tax return for the trust, as well as a return for the period of the year to the date of death, may be required
- the legal representative of the estate is responsible for the payment of any tax payable by the trust.

What you need to do as a legal representative

- notify the ATO of the death, so that the issue of any notices can be stopped which may cause distress to partners or other relatives. If you know the TFN for the deceased person, quote this in any phone calls or letters to the ATO.
- lodge a 'date of death' return.

Date of death returns may not need to be lodged for people who obviously have no taxation liability and may not have lodged tax returns for many years, such as taxpayers who have been pensioners for many years receiving the age or disability support pension. In this case the legal representative of the deceased person simply needs to write and advise the ATO of the facts.

This return covers the period from the beginning of the income year to the date of the taxpayer's death. The name of the taxpayer is shown as **The Legal Representative of** ***John Citizen*** **Deceased**, or similar. The return must include:

- all assessable income and deductible losses or outgoings of the deceased person up to the date of death
- a full and true statement of the assets and liabilities of the deceased person at the date of death—for salary and wage earners this is only necessary if the ATO asks for it.

The return may also include:

- tax agent's fees and similar expenses incurred by the taxpayer's legal representative. These are deductible expenses and
- medical expenses incurred by the deceased taxpayer and paid by the legal representative. A medical expenses rebate may be allowable for this expenditure.

The return can be signed by the legal representative or a beneficiary.

The period from the date of death to the end of the income year is covered by the first return of the deceased estate. Trustees of a deceased estate use the *Trust tax return 2000*. The trustee needs to apply for a trust TFN by completing a *TFN application for a deceased estate*. The name of the trust is shown as **The Estate of** ***John Citizen*** **Deceased** or similar.

Amounts of assessable income received after death

If amounts of assessable income, including interest, rent, and business or employment income, are received after a taxpayer's death, they are part of the deceased estate. The trustee is then liable for paying any tax due on those amounts.

Recreation leave and long service leave

Amounts of recreation leave and long service leave, ordinarily assessable under sections 26AC and 26AD of ITAA 1936, are exempt from tax when paid directly to the trustee of a deceased estate.

Dividends

Dividends are usually assessable when they are credited to a taxpayer. However, in the case of a deceased estate, dividends are not assessable until they have been received by the trustee of the deceased estate.

Annuities and eligible termination payments

Where a deceased taxpayer purchases a deferred annuity—after 12 January 1987—but receives no payments before their death, the residual capital value of the annuity is not assessable income.

Payments made by employers, superannuation funds or approved deposit funds to the trustee of a taxpayer's deceased estate are called 'death benefit ETPs'.

Death benefit ETPs within the deceased taxpayer's RBL are free of tax when passed onto the deceased person's dependants. Death benefit ETPs in excess of the RBL are taxed in the same way as excessive components of ETPs, at the top marginal tax rate plus the Medicare Levy (48.5 per cent). For the 1999–2000 RBL limits see page 47.

Where a deceased taxpayer was a member of a superannuation fund, and their superannuation pension is commuted to a lump sum and paid to the trustee of their deceased estate, the lump sum is taxed as a direct lump sum death benefit—if any person could have elected to receive a pension in place of the lump sum payment.

Capital gains tax

Generally no capital gain or loss arises as the result of the death of a person.Trustees of deceased estates are taken to have acquired assets owned by the deceased at the date of death. In general, the trustees are subject to the same CGT rules as other taxpayers with similar exemptions applying. These are as follows:

CGT discount

The trustee may qualify for the CGT discount in respect of certain capital gains. If the gain relates to an asset acquired by the deceased person after 19 September 1985, the period of ownership of the deceased person is taken into account in determining whether the 12 month ownership test—relevant for the CGT discount—has been satisfied.

The date of death however is the relevant date for determining whether the trustee of the deceased estate has the option of choosing frozen indexation or the CGT discount. The trustee will not have this option if the deceased person died after 11.45a.m. AEST, 21 September 1999 (the start time). In this case, the CGT discount is the only concession that may apply. If the date of death was before the start time and the disposal of the asset happens after the start time the trustee may have a choice.

The main residence exemption

Dwellings disposed of by trustees of deceased estates are exempt from CGT, provided that:

- the dwelling was acquired before 20 September 1985 or
- the dwelling was the main residence of the deceased person for the whole period of ownership and
  - the dwelling is disposed of within 2 years from the date of death or
  - the dwelling has been the main residence of the deceased person's spouse or of another person who had a right of occupancy under the will, during the whole time from the date of death to the date of disposal.

If the dwelling was not a main residence during any period before or after death, any exemption may be pro-rated. If the residence was used for income-producing purposes for any period, a capital gain or loss may also arise.

Exemptions to capital gains or losses apply to:

- dwellings acquired by trustees in accordance with the terms of a will, to provide a dwelling for beneficiaries of the deceased estate
- beneficiaries who receive dwellings from a deceased estate, and subsequently dispose of them. This includes surviving partners who were joint owners of the dwelling before the death.

Gains and losses arising at death

Capital gains and losses from the following assets must be included in the deceased taxpayer's date of death return:

- assets that pass to beneficiaries who are non-residents and
- assets that pass to tax exempt beneficiaries, or to trustees of complying (low-taxed) superannuation funds, approved deposit funds or pooled superannuation trusts.

The deceased taxpayer is deemed to have disposed of the assets at their market value.

Paying tax on the income of deceased estates

A trustee can not distribute the income or assets of a deceased estate until the debts of the deceased person, including any outstanding tax liabilities, are determined. For taxation purposes, this requires a notice of assessment. Once a notice of assessment is issued, the trustee can proceed to deal with the assets of the deceased person in accordance with the will.

A trustee can distribute some of the income or assets to beneficiaries, if the trustee is certain that the remainder of the estate is sufficient to cover any outstanding liabilities.

Beneficiaries who receive payments of income are considered to be presently entitled to them and they pay tax on those amounts in their own individual tax returns.

The remainder of the income is treated as income to which no beneficiary is 'presently entitled'. Other income accumulated in the deceased estate, and not paid to or applied to the credit of beneficiaries, is also classed as income to which no beneficiary is presently entitled. For more information on the meaning of this term, and the taxation of trusts generally, see page 72.

Completing a simple deceased estate return

Note: General individual tax rates are applied to the first 3 deceased estate trust tax returns.

Page 1

Complete all appropriate items.

Before completing the *Trust tax return 2000* apply for a trust TFN by using a *TFN application for a deceased estate*. To find out how to get a copy see the inside back cover.

Show the name of the trust as **The Estate of *John Citizen* Deceased** or similar.

Print code **D** in the CODE box at **Type of trust** and complete the **date of death** box.

Pages 3 and 4

Complete the appropriate items at:

Income

Item 8—Partnerships and trusts

Show at label **A—Distributions from partnerships,** any amount of partnership income or at label **Z—Distribution from trusts,** any amount of trust income received after the date of death.

Show at label **D—Share of imputation credit from franked dividends,** any share of imputation credit from franked dividends.

Show at label **E—Share of credit for TFN amounts deducted from interest and dividends,** any share of credit for TFN amounts deducted from interest and dividends.

For more information see pages 42–44.

Item 9—Rent

Show at label **F—Gross rent,** the gross amount of rent.

Show at label **G—Interest deductions,** the total interest expenses incurred in earning rental income.

Show at label **X—Special building write-off,** the total special building write-off amount for rental buildings.

Show at label **H—Other rental deductions,** the expenses that relate to this rental income.

Show at **Net rent,** the net amount of any rent or any premium received.

For more information see page 44.

Item 10—Gross interest

Show at label **J** the total amount of interest received or credited.

Show at label **I—TFN amounts deducted from gross interest,** the TFN amounts deducted from gross interest.

For more information see pages 44–45.

Item 11—Dividends

Show at label **K—Unfranked amount,** the total amount of unfranked dividends received.

Show at label **L—Franked amount,** the total amount of franked dividends received.

Show at label **M—Imputation credit,** the amount of imputation credits received directly from a paying company.

Show at label **N—TFN amounts deducted from dividends,** the total of TFN amounts deducted on dividends received.

For more information see page 45.

Item 12—Other Australian income

Show at label **O** any other income received by the estate after the date of death. Salary and wages received after the date of death and ETPs are included at label **O**.

For more information see pages 46–47.

Item 13—Total of items 4 to 12

Show the total income amounts.

Deductions

Item 14—Deductions relating to Australian investment income

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

For more information see page 49.

Item 15—Other deductions

Show at label **Q** any other tax-related expenses. Do not include capital expenses incurred in administering the estate.

For more information see pages 49–50.

Item 16—Total of items 14 to 15

Show the total deduction amounts.

Item 17—Net Australian income or loss

Show at label **$** the total amount shown at item **13—Total of items 4 to 12** less the total amount shown at item **16—Total of items 14 to 15**.

Item 18—Capital gains

Show at item **18** any net capital gain that has been realised by the trustee of the estate.

Note: Capital losses incurred by the deceased prior to their death cannot be carried forward to their estate.

For more information see pages 51–56 and *A guide to capital gains tax*. To find out how to get a copy see the inside back cover.

Item 21—Total of items 17 to 18

Show the total amount of net Australian income or loss plus any net capital gain amount.

Item 23—Total net income or loss

The amount at item **23** equals the amount at item **21—Total of items 17 to 18**.

For more information see page 59.

Item 51—Statement of distribution

If there has been no distribution of income from the deceased estate the net income amount shown at item **23—Total net income or loss** is shown in column **4—Share of Income, Non-primary production income**. Print the total at the item—**Income to which no beneficiary is 'presently entitled'**, label **B**.

For more information see pages 71–74.

Appendix 12 Instructions to trustees where a beneficiary is under 18 years of age —other than trustees of deceased estates

The following paragraphs have been prepared to assist in the application of the taxation provisions relating to trust income to which beneficiaries under 18 years of age are, or are deemed to be, presently entitled.

The basis of the system

Special taxation provisions apply to certain trust income, including capital gains, derived during the income year to which specified beneficiaries under 18 years of age at 30 June 2000—that is, minors —are presently entitled.

Note: This includes income to which a beneficiary is deemed to be presently entitled.

Such beneficiaries are referred to as minor beneficiaries or minors. Subject to important exceptions, trust income to which a minor is presently entitled generally is taxed at the top marginal tax rate plus the Medicare Levy (48.5 per cent), subject to shading-in arrangements.

Features of the system are outlined below under 4 main headings. These cover:

- the persons to whom the system applies
- the income to which it applies
- allocation of deductions and
- the tax rates that apply.

For more information on details of special measures under which relief, in the form of a tax rebate, may be available see Appendix 13 on page 116.

There are cases where it is unreasonable for the full amount of the additional tax under the system to be payable on income—for example, in cases of serious hardship. If the trustee considers that the system and the consequential higher tax rates are not applicable for any reason to the whole or part of the trust income to which any minor beneficiary is presently entitled, or that the trustee is entitled to a rebate, keep the information set out in the questions on page 114.

Some circumstances in which these details can be ignored by a trustee are set out in **Completion of the questions** on page 113. Failure by the trustee to consider and keep the information in the questions, where this is necessary, together with any additional information, could result in the assessment of the income to the trustee at the higher tax rate provided under the system.

The effect of the system on trust income

The system has no effect on ascertaining the trust net income.

The system can affect an assessment issued to the trustee where a minor beneficiary is presently entitled, but only if the minor is a 'prescribed person' and to the extent that income of the trust to which that beneficiary is presently entitled is eligible income.

Persons to whom the system applies

The system applies to a prescribed person, who is basically any beneficiary under 18 years of age on 30 June 2000 who is not an 'excepted person'.

A person is an excepted person if, on 30 June 2000, they were:

- engaged in a full-time occupation
- incapacitated and a person for whom a carer allowance or a disability support pension is paid or would, but for eligibility tests, be payable
- a person who is:
  - entitled to a double orphan's pension or
  - unlikely, because of a permanent disability, to engage in a full-time occupation and who, in either case, was not wholly or substantially dependent for support on a relative or relatives.

For this purpose a person is regarded as dependent for support on a relative if the person lives with the relative, unless it can be established that the person was not dependent on that relative for support.

If a carer allowance or a disability support pension was not being paid, but the beneficiary was, on 30 June 2000:

- a disabled child
- permanently incapacitated for work within the meaning of the *Social Security Act 1991* relating to those matters
- permanently blind or
- unlikely to engage in a full-time occupation

then a medical certificate must have been issued certifying the disability or incapacity, which existed on 30 June 2000. If a medical certificate was provided in a previous year, the beneficiary remains an excepted person if the condition still existed on 30 June 2000.

The meaning of full-time occupation

Occupation includes an office, employment, trade, business, profession, vocation or calling but does not include a course of education at a school, college, university or similar institution. A beneficiary is accepted as being engaged in a full-time occupation if:

- they were actively engaged in full-time employment or business on 30 June 2000 or

- they were not so engaged on 30 June 2000 but had been during the year for a period or periods totalling 3 months after their last period of full-time education
- in either case the Commissioner is satisfied that the beneficiary had, at 30 June 2000
  – the intention of continuing in that, or engaging in another, full-time occupation during the whole or a substantial part of the year ending 30 June 2001 and
  – no intention of returning to full-time education at any time during the year ending 30 June 2001.

A period during which a person receives Newstart allowance does not constitute a period of engagement in full-time occupation.

Income to which the system applies

If the minor beneficiary is not an excepted person:

- part of the trust income might be subject to the system—this is referred to as eligible income—and
- part might be excluded—this part is referred to as excepted income.

Excepted income

Trust income to which a minor beneficiary, who is not an excepted person, is presently entitled, is 'eligible income' except to the extent that the income can be classified as excepted income for the beneficiary. Eligible income is subject to the top marginal tax rate plus the Medicare levy (48.5 per cent) in the hands of the trustee and beneficiary—subject to a credit for tax paid by the trustee.

An amount included in the assessable income of a trust is excepted income only to the extent that the assessable trust income would, if derived by the minor beneficiary, be excepted income.

The amount of excepted income is based on the facts of each individual case.

Income derived by the trust is excepted income to the extent that it is:

1. employment income
2. income from the estate of a deceased person, either as a result of a will or an intestacy, or a court order modifying a will or the distribution of an intestate estate
3. income derived from the investment of any property transferred to the trustee for the benefit of the beneficiary:
   - as court-awarded damages to the beneficiary for loss of parental support, for personal injury, for disease or for impairment of physical or mental condition, or, as a settlement made otherwise than by a court order, to the extent that the income is considered by the Commissioner to be at a fair and reasonable level
   - as workers' compensation or compensation for criminal injury
   - directly as a result of another person's death and being, under the terms of a life assurance policy, out of a superannuation, provident, benefit or retirement fund, or from an employer of the deceased person
   - out of a public fund established and maintained exclusively for the relief of persons in necessitous circumstances
   - under a decree or order of dissolution or annulment of marriage having effect in Australia by the *Family Law Act 1975*, or recognised as valid in Australia, or a decree or order of judicial separation or similar decree or order as the result of a family breakdown—as defined in section 102AGA of ITAA 1936
   - as a verifiable prize beneficially owned by the minor in a legally authorised and conducted lottery—for example, lotteries and art unions
   - as an entitlement from a deceased estate
   - by transfer from another person out of property that devolved upon that other person from a deceased estate and who transferred it to the trustee within 3 years of the date of death of the deceased, subject to limitations based on what would have passed to the beneficiary under laws of intestacy
4. income derived from the investment of any property representing accumulations of income not subject to the system, being from sources as indicated in this paragraph, whether those accumulations were made from income of a year prior to or since the start of the system, or being savings from exempt income which, if it had not been exempt, would similarly have been excepted income.

Income from an investment made from sources as described above is excepted income and is taxed at general individual rates. If such an investment is sold or otherwise realised, and the proceeds invested in a different form that represents that earlier property, income from the new investment keeps the character of excepted income.

Exceptions are not available if an arrangement is entered into so that the income is not subject to the system.

In addition, where an arrangement is entered into between persons who are not dealing with each other at arm's length and this results in an amount of excepted income greater than the amount which would have resulted had the parties been dealing at arm's length, only an amount equal to that arm's length amount is excepted from the higher rate of tax.

Business income derived by a trust cannot be excepted income as such, but it may constitute excepted income on some other basis—for example, business income of a deceased estate.

If it is considered that any part of the trust income is excepted income, read **Completion of the questions** on page 113 and consider **Part B** of the questions on page 113. Note the special circumstances on page 113.

Irrespective of these questions, the income must be included in the *Trust tax return 2000* so that the return discloses the total trust income from all sources in the normal way.

Each beneficiary's excepted income component must bear the same proportion to the total trust income as that beneficiary's share of net income bears to the total trust net income. If the trustee considers, for any reason, that circumstances exist which warrant a different determination, attach a statement to the *Trust tax return 2000* setting out the facts and the reasons why. Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.

Employment income

Normally, employment income as defined is derived directly by a minor and thus is excepted income. Occasionally, however, superannuation pensions and similar payments, which are included in the definition of employment income, are paid to a trustee on behalf of a minor. Payments of this kind are excepted income in the hands of the trustee.

Allocation of deductions between eligible and excepted income

In determining the trust income on which a minor has to pay tax, allowable deductions are set off against eligible assessable income of the trust as follows:

- any allowable deductions that relate exclusively to that eligible assessable income. These are indicated on the *Trust tax return 2000*
- so much of any other deductions—other than apportionable deductions—as may appropriately be related to that eligible assessable income
- a proportionate share of any apportionable deductions, most commonly gifts. The formula for calculating this amount is:

$$\frac{E \times A}{N}$$

where:

A apportionable deductions

E net eligible income—before apportionable deductions

N net income plus apportionable deductions.

Completion of the questions

Read all of the Appendix to see if the following questions need to be answered. Do not include the questions with the *Trust tax return 2000*, but keep them as a record.

The questions are divided into:

- **Part A** relating to the eligibility of the minor beneficiary to be treated as an excepted person and
- **Part B** relating to the nature of the trust income.

Some of the questions need to be answered if the trustee claims that all or any part of the share of the trust income to which a beneficiary is presently entitled is excepted income—that is, income not subject to tax at the higher rate applicable to a minor.

The questions need not be answered by a trustee where:

- no beneficiary is under 18 years of age on the last day of the 1999–2000 income year
- the trust is the estate of a deceased person
  - the share of trust income to which each resident beneficiary is presently entitled does not exceed $416—the low income rebate of $150 effectively increases the threshold to $643 for the 1999–2000 income year
  - there is no non-resident beneficiary under 18 years of age on the last day of the 1999–2000 income year
  - no beneficiary is also a beneficiary in another estate that derives income and
  - the trustee is able to certify for each beneficiary that:
    - * the beneficiary is not required to furnish an *Individual tax return 2000* or
    - * if the beneficiary is required to furnish an *Individual tax return 2000*, the only income in that tax return, other than the share of trust income, is from salary, wages or payment for services rendered.

If the trust does not fall within the exceptions listed above:

- read and answer **Part A** for:
  - any resident beneficiary who is an excepted person unless the trust income to which the beneficiary is presently entitled is less than $416—the low income rebate of $150 effectively increases the threshold to $643 for the 1999–2000 income year—and that beneficiary derives no income from another trust and
  - any non-resident beneficiary who is an excepted person.
- do not answer **Part B** if all the beneficiaries of the trust are excepted persons and **Part A** has been answered. **Part B** is answered where:
  - any resident minor beneficiary—not being an excepted person—is presently entitled to trust income in excess of $416
  - the share of any resident minor beneficiary, not being an excepted person, is $416 or less—the low income rebate of $150 effectively increases the threshold to $643 for the 1999–2000 income year—and the beneficiary is also the beneficiary in another trust or
  - any non-resident minor beneficiary, not being an excepted person is presently entitled to $1 or more of trust income.

The trust may be entitled to a rebate of some or all of the tax charged at the higher rate if it faces serious hardship. For more information see Appendix 13 on page 116. Attach a statement explaining the details and print **Yes** in the **Have you attached any other attachments?** box on page 1 of the *Trust tax return 2000*.

Part A Read and answer these questions if it is claimed that the beneficiary was an excepted person on 30 June 2000. If the answer to any question in **Part A** is **Yes**, there is no need to answer any more questions in **Part A** or **Part B**.	**Yes** or **No**
Is it claimed that the beneficiary was an excepted person on any of the following grounds: **1.** the beneficiary was in a full-time job on 30 June 2000 (or had been in a full-time job for at least 3 months in the period leading up to 30 June 2000)? **Note**: If the beneficiary goes back to full-time studies in the coming year, it cannot be claimed that the beneficiary is an excepted person by being in a full-time job.	
2. the beneficiary or someone for the beneficiary, was entitled to an a carer allowance or a disability support pension on 30 June 2000?	
3. the beneficiary was a disabled child, permanently blind or permanently incapacitated for work? A medical certificate will be needed for the beneficiary to qualify as an excepted person on this basis, but do not attach it to the *Trust tax return 2000*.	
4. the beneficiary, or someone for the beneficiary, was entitled to a double orphan's pension on or for a period of time that included 30 June 2000? In addition, the beneficiary did not rely on support from a relative in that time.	
5. the beneficiary was unlikely to have a full-time job owing to a permanent mental or physical disability in a period of time that included 30 June 2000 and, the beneficiary did not rely on support from a relative in that time.	

Part B Read these questions if it is claimed that all or part of the trust income during the year ended 30 June 2000 was excepted unless all beneficiaries are excepted persons.	Amount of income $
Is it claimed that any part of the trust income is excepted income because it is: **1.** in the nature of employment income (not including employment income paid to beneficiaries for services rendered)?	
2. income derived from the investment of any property transferred to the trustee for the benefit of the beneficiary? For more information see Excepted income on page 112.	
3. income derived from the investment of property representing accumulations of income not subject to the system? For more information see Excepted income on page 112.	
Total net excepted income	
If any excepted income includes a capital gain subject to CGT, show the amount of the capital gain here.	

Note 1: Net excepted income here means the sum of the gross amounts of excepted income of all prescribed beneficiaries less deductions applicable to those amounts.

Note 2: Unless adjustments are made the assessable eligible income of the prescribed beneficiaries is the difference between the total net excepted income of the trust, as calculated above, and the amount of the net income of the trust, as shown at item **22** on the *Trust tax return 2000*, less any share of the income in respect of which non-prescribed person beneficiaries are presently entitled and any income to which no beneficiary is presently entitled.

Appendix 13 Rates of tax payable by trustees on behalf of beneficiaries

Where a beneficiary is presently entitled to a share of the trust income but is under a legal disability, the trustee is assessed and is liable to pay tax on that income as if it were the income of an individual.
A beneficiary deriving income from a source in addition to that trust income is assessed on the total of the trust income and the other source incomes but is allowed a credit against the tax so levied for the amount of tax payable by the trustee on the trust income.

The following notes assume that a trustee is entitled, on behalf of a resident beneficiary, to the full tax-free threshold of $5400. Where a beneficiary becomes or ceases to be an Australian resident, a reduced tax-free threshold may apply. For more information on how to calculate the tax payable where the trustee is not entitled on behalf of the beneficiary, to the full tax-free threshold or is to be assessed on a capital gain, see the inside back cover.

If a resident beneficiary's share of the trust net income consists wholly of excepted income, or includes an amount of eligible income not exceeding $416—the low income rebate of $150 effectively increases the threshold to $643 for the 1999–2000 income year—and the beneficiary is not entitled to a share of the net income of any other trust, the trustee pays tax at general individual rates. If a non-resident beneficiary's share of the trust net income consists wholly of excepted income the trustee pays tax at the rates normally applying to non-residents.

If a beneficiary's share of trust income includes eligible income subject to higher tax and also includes excepted income, the tax on the excepted income is first calculated at general individual rates as if that income were the taxable income. In this way beneficiaries, who are resident for the full income year, apply the zero rate of tax on the first $5400 and the 20 per cent rate from $5401 to $20 700 on the taxable income which is excepted income.

Eligible income is then taxed at 47 per cent, except where the following shading-in provisions apply:

- for a resident whose eligible income exceeds $416 but does not exceed $1445, the tax on the eligible income is limited to an amount equal to 66 per cent of the excess of the eligible income over $416—the low income rebate of $150 effectively increases the threshold to $643 for the 1999–2000 income year
- for a non-resident whose eligible income:
  - does not exceed $416, tax is 29 per cent
  - exceeds $416 but does not exceed $810, the tax is limited to $120.64 plus 66 per cent of the excess of the eligible income over $416.

The trustee pays tax on behalf of the beneficiary on excepted income at general individual rates plus the tax on the eligible income at the higher rate less allowable rebates and other credits. In a limited number of cases, where eligible income of a resident is within a shading-in range as set out above, tax calculated on the total taxable income at general individual rates exceeds the tax calculated separately on the excepted income and eligible income components. In such cases, tax is levied on the total taxable income at general individual rates.

Relieving provisions

Serious hardship rebate

A rebate of the whole or part of tax levied under the system may be allowed where the tax payable under the system by a minor, including tax payable by a trustee for a minor, exceeds the tax that otherwise would have been payable and exaction of the full amount of tax payable would cause serious hardship.

The rebate cannot exceed the amount of additional tax payable as a result of the system.

If it is believed that there is an entitlement to a rebate because of serious hardship, attach a statement to the *Trust tax return 2000* giving details of the nature of the serious hardship and the reasons why it is considered that this rebate be allowed.

Print **Yes** in the **Have you attached any other attachments?** box on page 1 of the tax return.

Appendix 14 Trust assessment codes

Assessable codes

INTER VIVOS TRUSTS—including discretionary trusts	**Resident**	**Non-resident**
Where the beneficiary is presently entitled to a share of the income of the trust		
Over 18 years of age under a legal disability or an excepted person.	25*	125*
A prescribed person receiving excepted income only.	26*	126*
A prescribed person receiving eligible income only.	27*	127*
A prescribed person receiving excepted and eligible income only.	28*	128*
A prescribed person receiving eligible income from more than one trust.	29*	129*
Not under any legal disability	30	138*
A company	34	139*
A trust	35	
Where no beneficiary is presently entitled to a share of the income of the trust		
Resident or non-resident trust where no beneficiary is presently entitled to income.	36*	
Bankrupt estate	37*	
Resident or non-resident trust where no beneficiary is presently entitled to income and to which sub-section 99A(2) of ITAA 1936 is to be applied.	37*	

Assessable codes

DECEASED ESTATE	**Resident**	**Non-resident**
Where the beneficiary is presently entitled to a share of the income of the trust		
Under a legal disability	11*	111*
Not under a legal disability	12	118*
A company	13	119*
A trust	14	
Where no beneficiary is presently entitled to a share of the income of the trust		
Trust where the deceased person died less than 3 years before the end of the income year.	15*	
Trust where the deceased person died more than 3 years before the end of the income year.	16*	
A non-resident trust	17*	

* Tax assessable to the trustee

Appendix 15 ATO locations and where to lodge your tax return

Below are our street addresses, and mailing addresses for lodgment of your *Partnership tax return 2000* and *Trust tax return 2000* and any other correspondence. Do NOT mail payments to these addresses. For payment addresses see page 16.

If you have an enquiry, we can usually assist you faster by telephone. The inside back cover lists our telephone helpline services.

New South Wales

Albury
567 Smollett Street
Albury
PO Box 9990 Albury 2640

Bankstown
ATO*access*
2 Meredith Street
Bankstown
PO Box 9990 Hurstville 2220

Chatswood
ATO*access*
Shop 43 Lemon Grove
Shopping Centre
441 Victoria Avenue
Chatswood
PO Box 9990 Hurstville 2220

Hurstville
ATO*access*
1st Floor MacMahon Plaza
14–16 Woodville Street
Hurstville
PO Box 9990 Hurstville 2220

Newcastle
266 King Street
Newcastle
PO Box 9990 Newcastle 2300

Parramatta
Commonwealth Offices
2–12 Macquarie Street
Parramatta
PO Box 9990 Newcastle 2300

Penrith
121–125 Henry Street
Penrith
PO Box 9990 Penrith 2740

Sydney
100 Market Street
Sydney
PO Box 9990 Hurstville 2220

Wollongong
93–99 Burelli Street
Wollongong
PO Box 9990 Penrith 2740

Queensland

Brisbane
ATOaccess
280 Adelaide Street
Brisbane
PO Box 9438 Chermside 9438

Chermside
ATOaccess
766 Gympie Road
Chermside
PO Box 9438 Chermside 9438

Townsville
ATOaccess
Stanley Place
235 Stanley Street
Townsville
PO Box 9990 Townsville 4810

Upper Mt Gravatt
2221–2233 Logan Road
Upper Mt Gravatt
PO Box 9438 Chermside 9438

Australian Capital Territory

Canberra
ATO*access*
Ground floor
Ethos House
28–36 Ainslie Avenue
Canberra
PO Box 9990 Penrith 2740

Tasmania

Hobart
200 Collins Street
Hobart
GPO Box 9990 Hobart 7001

Western Australia

Northbridge
45 Francis Street
Northbridge
GPO Box 9990 Perth 6848

Victoria

Box Hill
990 Whitehorse Road
Box Hill
PO Box 9990 Box Hill 3128

Casselden Place
2 Lonsdale Street
Melbourne
PO Box 9990 Dandenong 3175

Cheltenham
ATO*access*
4A, 4–10 Jamieson Street
Cheltenham
PO Box 9990 Albury 2640

Dandenong
14 Mason Street
Dandenong
PO Box 9990 Dandenong 3175

Geelong
92–100 Brougham Street
Geelong
PO Box 9990 Albury 2640

Moonee Ponds
6 Gladstone Street
Moonee Ponds
PO Box 9990 Dandenong 3175

Northern Territory

Alice Springs
ATO*access*
Jock Nelson Centre
16 Hartley Street
Alice Springs
GPO Box 800 Adelaide SA 5001

Darwin
ATO*access*
Cnr Mitchell & Briggs Streets
Darwin
GPO Box 800 Adelaide SA 5001

South Australia

Adelaide
91 Waymouth Street
Adelaide
GPO Box 800 Adelaide 5001

Changes effective from 1 July 2000

Endorsement of deductible gift recipients and/or income tax exempt charities

On 13 August 1998, the Treasurer announced as part of The New Tax System a process to enable deductible gift recipients (DGRs) and/or income tax exempt charities (ITECs) to be endorsed by the ATO.

From 1 July 2000 the following requirements take effect:

- organisations that have, or who are seeking to have DGR status need to be endorsed by the ATO unless they are specifically named in the income tax law. Charities that currently have or who are seeking to have income tax exempt status need to be endorsed by the ATO
- gifts and donations made to an organisation are no longer tax deductible to the donor unless the organisation is endorsed by the ATO as a DGR or specifically named in the income tax law
- all receipts issued for gifts by a DGR include its ABN, the name of the gift fund and state that the receipt is for a gift
- DGR status will be shown on the Australian Business Register. This will enable members of the public to check whether their gifts and donations are being made to a DGR—and hence are tax deductible and
- non-charitable organisations such as sporting clubs do not require endorsement.

Alienation

On 11 November 1999 the Treasurer announced, in the *Treasurer's Press Release No. 74 of 1999* integrity measures to contribute to the fairness and equity of the tax system.

These measures which will commence from 1 July 2000 include:

- limiting the extent to which non-commercial losses can be offset against other income and
- restricting the ability of individuals to reduce tax by diverting the income they earn from personal services to an entity—a company, partnership or trust.

At the time of printing legislation is still before Parliament. For more information see the inside back cover.

Non-commercial losses (Partnerships only)

A non-commercial loss arises where a taxpayer incurs expenditure in relation to an activity with business like characteristics, even though they are unlikely to make a profit and the activity does not have a significant commercial purpose. A series of criteria will be introduced to ensure that only losses arising from commercial activities are deductible against other income. These measures are contained in *New Business Tax System (Integrity Measures) Bill 2000*.

Alienation of income

The proposed approach will treat, for tax purposes, the income of an entity that is earned through the provision of personal services as the income of the individual who provides the services. The provisions will not apply where the services are provided in the manner of a personal services business. These measures are contained in *New Business Tax System (Alienation of Personal Services Income) Bill 2000*.

Glossary

AAT	Administrative Appeals Tribunal
ABN	Australian Business Number
ABS	Australian Bureau of Statistics
ACN	Australian Company Number
AEDT	Australian Eastern Daylight Time (by legal time in the Australian Capital Territory)
AEST	Australian Eastern Standard Time (by legal time in the Australian Capital Territory)
ARBN	Australian Registered Body Number
ATO	Australian Taxation Office
BSB	bank state branch
Capital Allowances Act 1999	*New Business Tax System (Capital Allowances) Act 1999*
CFC	controlled foreign company
CGT	capital gains tax
CIV	collective investment vehicles
Commissioner	Commissioner of Taxation
DGR	deductible gift recipients
DIA	drought investment allowance
EFT	electronic funds transfer
ELS	electronic lodgment service
ETP	eligible termination payment
FMB	farm management bonds
FMD	farm management deposits
FIF	foreign investment fund
FLP	foreign life assurance policy
FTD tax	family trust distribution tax
FTN	failure to notify
GIC	general interest charge
GST	goods and services tax
IED	income realisation deposits
ID	identification
Integrity and Other Measures Act 1999	*A New Tax System (Integrity and Other Measures) Act 1999*
IRU	indefeasible rights to use international telecommunication submarine cables
ITAA	*Income Tax Assessment Act*
ITEC	income tax exempt charities
LIFO	last in first out
MLS	Medicare levy surcharge
PAYE	Pay-As-You-Earn
PAYG	Pay As You Go
PDF	pooled development fund
PPS	prescribed payment system
pre-announcement events	CGT events happening up to 11.45a.m. AEST, 21 September 1999
RBL	reasonable benefit limit
R&D	research and development
RPS	reportable payment system
RSA	retirement savings account
SAP	substituted accounting period
SHAR	Superannuation Holding Account Reserve
start time	11.45a.m. AEST, 21 September 1999
TAA	*Taxation Administration Act*
Income Tax Rates Act 1999	*New Business Tax System (Income Tax Rates) Act (No. 2) 1999*
TFN	tax file number
TLAA	*Taxation Laws Amendment Act*
TLAB	*Taxation Laws Amendment Bill*
Trust Loss Act	*Taxation Laws Amendment (Trust Loss and Other Deductions) Act 1998*
Y2K	year 2000

References to Taxation Determinations and Taxation Rulings

IT 2125 .... Prescribed Payments System: credit for deductions of tax from prescribed payments made to a partnership, or the trustee of a trust estate

IT2346 .... Income tax: bonuses paid on certain life assurance policies—section 26AH —interpretation and operation

IT 2486 .... Income tax: children's savings accounts

IT 2592 .... Income tax: costs of mains electricity connections

IT 2660 .... Income tax: definition of royalties

TD 92/113 ...... Income tax: foreign income: is a foreign loss quarantined within a partnership?

TD 2000/18 .... Income tax: what are the consequences of using a GST Direct Assistance Certificate to pay for plant or deductible expenditure?

TR 92/3........... Income tax: whether profits on isolated transactions are income

TR 92/13......... Income tax: distribution by trustees of dividend income under the imputation system

TR 92/18......... Income tax: bad debts

TR 93/1........... Income tax and fringe benefits tax: private rulings

TR 93/23......... Income tax: valuation of trading stock subject to obsolescence or other special circumstances

TR 94/3........... Income tax: tax shortfall penalties: calculation of a tax shortfall and allocation of additional tax

TR 94/4 .... Income tax: tax shortfall penalties: reasonable care, recklessness and intentional disregard

TR 94/8........... Income tax: whether business is carried on in partnership (including 'husband and wife' partnerships)

TR 96/7........... Income tax: record keeping—section 262A—general principles

TR 97/11......... Income tax: am I carrying on a business of primary production?

TR 97/16......... Income tax: status of taxation rulings following the income tax law rewrite

TR 97/21......... Income tax: record keeping: electronic records

TR 97/23......... Income tax: deduction for repairs

TR 97/25......... Income tax: property development: deduction for capital expenditure on construction of income producing capital works, including buildings and structural improvements

TR 98/7........... Income tax: whether packaging items (ie, containers, labels, etc) held by manufacturer, wholesaler or retailer are trading stock

TR 98/23......... Income tax: mining exploration and prospecting expenditure

TR 1999/2....... Income tax : deductibility of expenditure incurred on tailings dams or similar mining residue, waste storage or disposal facilities

TR 1999/9....... Income tax : the operation of sections 165-13 and 165–10, paragraphs 165-35(b), section 165-126 and section 165-132

TR 1999/12..... Income tax: deductibility of expenses incurred in preparing for the commencement of the Goods and Services Tax (GST)

Index

E

F

Your helplines for further information

Publications, taxation rulings, forms and enquiries are available through the following services:

Tax agents please use the following numbers:

- **Business tax reform infoline—13 7286**
  This service operates from 8 a.m. to 6 p.m. Mon–Fri.
- **Publications distribution service by fax—1300 361 462**
  If you have a query on your order status, phone **1300 362 883**.

Non tax agents please use the following numbers:

- **Business tax reform infoline—13 2478**
  This service operates from 8 a.m. to 6 p.m. Mon-Fri.
  The Internet site at **www.taxreform.ato.gov.au** gives access to business tax reform information 24 hours a day, every day.
  Phone this number if you need information on the ABN or how to apply for one. For assistance in completing an application, phone **13 2866**.
- **Publications distribution service—1300 720 092**
  From July until the end of October, this service operates from 8 a.m. to at least 10 p.m. on weekdays and from 10 a.m. to 5 p.m. on weekends—AEST.
  Before you phone, check to see if there are other publications you may need—this will save you time and help us.
  This distribution service is not run by Australian Taxation Office (ATO) staff. Your tax questions cannot be answered on this number.

- **Internet site—AT0assist**
  The Internet site at **www.ato.gov.au** gives access to ATO publications and general information on tax matters, 24 hours a day, every day.
- **a FAX from TAX—13 2860**
  If you have access to a fax machine, tax information is available 24 hours a day, every day. When you phone, follow the instructions to obtain a list of available documents.
- **Lodgment enquiries—13 2863**
  If you are unsure whether you need to lodge a tax return or you want to know where or when to lodge a tax return.
- **Superannuation enquiries—13 1020**
  For assistance with all your superannuation enquiries
- **Small business—13 2866**
  Notify the ATO of the amount of tax instalments deducted from employees every quarter to avoid a penalty for failure to notify, even if you cannot pay the full amount by the due date. Phone this number also for information on the general interest charge.
- **Debt collection—13 1142**
  If you cannot pay your tax debt contact the ATO on this number to avoid action being taken to recover the debt.
- **General enquiries—13 2861**
  This helpline is for tax questions on topics other than those already described, including business industry codes. Please have your instruction guide and tax return handy when you phone.
- **Translating and interpreting service—13 1450**
  If you do not speak English and need help on tax matters, this service sets up a 3-way conversation between you, an interpreter and a tax officer.
- **Hearing or speech impairment—13 2544**
  If you have access to appropriate TTY or modem equipment, contact the Australian Communication Exchange National Relay Service. You will need to quote one of the helplines listed on this page. The relay service will then connect you with a tax officer.
  For information on business tax reform, phone **1300 130 478**.

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