Australian Taxation Office
www.ato.gov.au

Partnership tax return instructions

2001

What's new?

- 13 month rule on prepaid expenses
- Depreciation
  – low-value pool
  – small business taxpayer
- Personal services income
- Tax losses and net capital losses

NAT 2297—3.2001

Foreword

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

Other publications you may need to refer to when completing the *Partnership tax return* are:

- *Australian film industry incentives*
- *Capital gains tax concessions for small business*
- *Complete tax guide for small business*
- *Depreciation schedule instructions*
- *Foreign Income Return Form Guide*
- *Foreign Investment Funds Guide*
- *Guide to capital gains tax*
- *Guide to depreciation*
- *Income Tax Assessment Act 1936*
- *Income Tax Assessment Act 1997*
- *Information for primary producers*
- *Non-commercial losses: partnerships*
- *Personal services income schedule*
- *Rental properties*
- *What's new?*
- *You and your shares*

Please get help from the Australian Taxation 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

Worksheets

Appendices

New schedules

- Complete only ONE copy of the appropriate schedule.
- Attach all completed schedules to the tax return.

Depreciation schedule

As a consequence of the number of legislative changes to the depreciation of plant, which took effect on 21 September 1999 and 1 July 2000 a new depreciation schedule has been introduced for the 2000–01 income year.

If you are a small business taxpayer—see **Definition of a small business taxpayer** on page 32—do not complete a *Depreciation schedule*. If you are not a small business taxpayer and you have included an amount greater than $1000 at item 4—**Expenses**, **Depreciation expenses** on the *Partnership tax return,* complete and attach a *Depreciation schedule* to the tax return.

Some of the labels on **Worksheet 1**—**Depreciation** on page 36 and **Worksheet 2**—**Low-value pool** on page 37 require you to simply transfer amounts directly to the appropriate labels on the *Depreciation schedule*.

For more information on how to complete the worksheets refer to the publication *Guide to depreciation*. For more information on how to complete the depreciation schedule refer to the publication *Depreciation schedule instructions*. To find out how to obtain a copy of these publications, see the inside back cover.

Non-individual PAYG payment summary schedule

Pay as you go (PAYG) withholding which commenced on 1 July 2000 replaced several old withholding systems. It also introduced several new withholding events including:

- business to business transactions where the payee—those people or businesses who receive payments from payers—does not quote an Australian Business Number (ABN)
- payments under a labour hire arrangement, or specified by regulations and
- payments made under a PAYG voluntary agreement.

If an amount from a payment was withheld by the payer—those people or businesses who make payments and withhold amounts from those payments—because the partnership did not quote an ABN, the partnership (payee) should have received a *Payment summary—withholding where ABN not quoted* from the payer.

A payer may issue a receipt, remittance advice or similar document in place of the approved form, *Payment summary—withholding where ABN not quoted*. Where the partnership did not receive or has lost its copy of a payment summary, contact the payer responsible and request a signed photocopy of the payer's copy.

Details from each *Payment summary—withholding where ABN not quoted* must be included on a *Non-individual PAYG payment summary schedule*. To find out how to obtain a copy, see the inside back cover.

Complete a *Non-individual PAYG payment summary schedule* where amounts are reported at:

- item 4—**Income**, labels **C** and/or **D**—**Gross payments where ABN not quoted**
- item 5—**Tax withheld where ABN not quoted**, label **T**.

When completing the schedule print neatly in BLOCK LETTERS with a black pen only.

Print the partnership's tax file number (TFN) and name in the appropriate boxes at the top of the schedule.

From each *Payment summary—withholding where ABN not quoted*, record on the schedule:

- payer's ABN (or withholding payer number)
- total tax withheld
- gross payment and
- payer's name.

When details of all these payment summaries have been copied to the schedule, attach the schedule to the *Partnership tax return*.

Copies of each *Payment summary—withholding where ABN not quoted* are not attached to the tax return but retained with the partnership's copy of the tax return. A copy of the schedule should also be retained with the partnership's tax records.

Personal services income schedule

New rules for the income tax treatment of certain personal services income (PSI) were introduced in *New Business Tax System (Alienation of Personal Services Income) Act 2000*. These measures are effective from 1 July 2000.

PSI is income that is mainly a reward for an individual's personal efforts or skills. Generally, the new rules apply where an individual's PSI is paid to a company, partnership or trust—a personal services entity—for services provided by the individual.

The rules are designed to improve the integrity of the tax system by:

- limiting and clarifying the deductions that can be claimed against PSI at both the individual and personal services entity level and
- ensuring that, after allowing deductions to the personal services entity, any remaining PSI is attributed to and included in the assessable income of the individual who provided the personal services.

The measure:

- does not apply where an individual or a personal services entity conducts a personal services business and
- does not affect the legal status of the personal services entity or deem an individual to be an employee for the purposes of any Australian law or instrument.

Note: Transitional arrangements are in place for the 2000–01 and 2001–02 income years to payees under the prescribed payments system (PPS). The measure will not apply for these income years where a valid *PPS payee declaration* was in force on 13 April 2000. A valid *PPS payee declaration* means you provided a signed *PPS payee declaration* to a PPS payer and that payer has acted in accordance with that declaration.

If the partnership is in receipt of an individual's PSI, complete item 26—**Personal services income** of the *Partnership tax return*. If that individual does not have a valid *PPS payee declaration*, complete a *Personal services income schedule* and attach it to the tax return. For more information on PSI rules refer to the *Personal services income schedule instructions* which accompany the schedule. To find out how to obtain a copy, see the inside back cover.

General information

Important messages

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 obtain 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 tax returns.

Some deductions are not available to the partnership but may be claimed by the partners —see Appendix 9 on page 59.

Non-resident partner

A partner who is not a resident of Australia is not taxed 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 TFN is usually required. A *Partnership tax return* is 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.

Limited partnerships

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

Partnerships and capital gains tax

A partnership does not own assets for capital gains tax (CGT) purposes. A partnership asset is owned by the partners in the proportion to which they have agreed. If a CGT event happens to a partnership asset during the income year, or the partnership received a share of a capital gain from a trust, each partner must include their share of the capital gain or capital loss in their own tax return. For more information about how a partner returns their share of a capital gain or capital loss refer to the publication *Guide to capital gains tax*. To find out how to obtain a copy, see the inside back cover.

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 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 a record of the following:

1 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 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.

Information matching

The Australian Taxation Office (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 2000–01 tax returns:

- income and credits for withholding where an ABN has not been quoted, against information provided to the ATO by payers—see pages 10 and 19.
- distributions from partnerships and trusts—see pages 20 and 21
- total salary and wages paid will be cross checked against the PAYG withholding system—see page 29
- dividend income—see pages 23 and 45.

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 carrying on a business** in the publication *Complete tax guide for small business*. Primary producers should also refer to *Taxation Ruling TR 97/11*. To find out how to obtain a copy of these publications, see the inside back cover.

Penalty for failure to notify

To avoid this penalty, notify the ATO of the PAYG amount deducted from employees 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 that was withheld for the period and negotiate a payment arrangement.

Purchase or sale of a business during the income year

Keep a record of 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.

Record keeping requirements

Record keeping

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 *Income Tax Assessment Act 1936* (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 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. 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 Ruling TR 96/7* and *Taxation Ruling TR 97/21*. To find out how to obtain a copy, see the inside back cover.

Record retention

Partnerships keep a record of 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.

E-record

The ATO has developed E-record to assist small/micro businesses and non-profit organisations keep good business records electronically.

It is designed for businesses that 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 that 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* (BAS) from 1 July 2000.

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

Capital gains tax record keeping

For more information on record keeping for capital gains tax refer to the publication *Guide to capital gains tax*. To find out how to obtain a copy, see the inside back cover.

Record keeping for overseas transactions and interests

Keep records of any overseas transactions in which the partnership 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 has direct or indirect control:

- of any income from sources outside Australia not disclosed elsewhere in the tax return or
- of any property—including money—situated outside Australia. Where this is the case keep a record of 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 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 had an ability to control or achieve control of overseas income or property, keep a record of 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 has an interest.

Tax Return

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 page 3.

Keep a copy of the *Partnership tax return* and related documents as there may be a charge for obtaining a copy from the ATO.

Lodge a *Partnership tax return* 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 own 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 own tax return. If granted, an exemption applies to all future year tax returns until the partners or the ATO cancels the exemption.

An exemption cannot be granted where a partner is claiming a credit for amounts withheld, under the no ABN withholding rules, from payments made to a partnership.

Send the *Partnership tax return* to the nearest ATO—for lodgment addresses see Appendix 10 page 61. Send those tax returns, which include one or more *Interposed entity election(s)* to the address on page 7.

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 11—**Other Australian income** on page 24
- 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 45
- for reconstituted partnerships required to lodge one tax return—see **Reconstituted partnerships** on page 3—supply the following details:
  - 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*. Print **Yes** in the **Have you attached any 'other attachments'?** box on page 1 of the tax return.

Private ruling by the Commissioner of Taxation

A private ruling is a written expression of opinion by the Commissioner of Taxation (Commissioner) about the way in which a section or provision of the income tax law would apply to a person in relation to an arrangement in respect of a specified income year.

An *Application for a private ruling* must be in writing and in accordance with the provisions of Part IVAA of the *Taxation Administration Act 1953*. To find out how to obtain a copy of the application, 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 the parties involved, the facts, income years covered by the arrangement, issues and questions raised that relate to specified tax laws, and 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 obtain a copy, see the inside back cover.

Review rights

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 later of:

- 60 days after the receipt of the ruling
- 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 the *Income Tax Assessment Act 1997* (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 obtain a copy, see the inside back cover.

Withdrawals

A private ruling can be withdrawn in very limited circumstances at a later date by the Commissioner, but not so as to retrospectively affect the taxpayer's income tax position.

Penalties

The law imposes penalties on partnerships for:

- failing to lodge a tax return on time
- overclaiming a credit that is caused by:
  - making a false or misleading statement
  - taking a position that is not reasonably arguable
- disregarding a private ruling
- failing to keep and produce proper records for the partnership
- preventing access to premises and documents or
- failing to retain or produce declarations.

For more information about the new administrative penalties refer to the publication *What's new?*
To find out how to obtain a copy see the inside back cover.

Completing the tax return

Attachments to the tax return

Print **Y** in the **Have you included any 'other attachments'?** box on page 1 of the *Partnership tax return* if the partnership has included additional information. These documents are attached to the tax return.

Tax file number

Print the TFN of the partnership in the boxes provided.

Name of partnership

The partnership name should be consistent from year to year, except in the year of a name change.

If the partnership name is legally changed, send written advice of the change to the ATO at the time the change is made.

Australian Business Number (ABN)

The ABN is the public identification system introduced to support business to government interactions across all agencies.

Print the ABN of the partnership in the boxes provided.

Follow the instructions on the *Partnership tax return* for completion of the following items:

- **Previous name of partnership**
- **Current postal address**
- **Postal address on previous tax return**

Full name of the partner

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

Interposed entity election status

This item must be completed if either of the following apply. If the partners:

- have previously made one or more interposed entity election(s) specifying a day in the 1994–95, 1995–96, 1996–97, 1997–98, 1998–99 or 1999–2000 income years in accordance with section 272-85 of Schedule 2F to ITAA 1936 and, if applicable, items 23 or 23A of Schedule 1 to the *Taxation Laws Amendment (Trust Loss and Other Deductions) Act 1998* (Trust Loss Act) or
- are making one or more interposed entity elections specifying a day in the 2000–01 income year in accordance with section 272-85 of Schedule 2F to ITAA 1936.

Note: Details of any interposed entity elections the partners have previously made in accordance with section 272-85 of Schedule 2F to ITAA 1936 and, if applicable, items 23 or 23A of Schedule 1 to the Trust Loss Act specifying a day in an income year before the 2000–01 income year must have been provided in an *1999 interposed entity election* or an *Interposed entity election 2000* that was either:

- included in the partnership's tax return for the 1998–99 or 1999–2000 income year, respectively or
- if the partnership was not required to lodge a tax return for the relevant income year, sent to the ATO in accordance with the instructions in the *1999 interposed entity election* or *Interposed entity election 2000*.

Election forms in relation to interposed entity elections made specifying a day in an income year before the 2000–01 income year must not be attached to the *Partnership tax return*.

If the partners have previously made one or more elections specifying a day in an income year before the 2000–01 income year, the appropriate election status code is printed in the box at this item. However, an interposed entity election in respect of those elections is not required to be atached to the *Partnership tax return*.

If the partners are making one or more interposed entity elections specifying a day in the 2000–01 income year, the appropriate election status code must be printed in the box at this item and the approved form, an *Interposed entity election 2001* is completed for each election specifying a day in the 2000–01 income year and attached to the *Partnership tax return.*

Instructions on how to complete the *Interposed entity election 2001* are provided on the approved form. For more information on approved forms refer to the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

If the *Partnership tax return* is not lodged using the electronic lodgment service (ELS), send the tax return including the *Interposed entity election 2001* to:

ATO Production
Non-individuals
GPO Box 9990
Box Hill VIC 3128

Election status codes

Print in the box at this item the code from **Table 1** which corresponds to the interposed entity election status of the partnership.

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—if more than one interposed entity election is made.

Table 1

Code	Income year specified in first interposed entity election
I	1994–95
J	1995–96
K	1996–97
L	1997–98
M	1998–99
N	1999–2000
O	2000–01

Example 1

The partners have previously made an interposed entity election specifying a day in the 1994–95 income year in accordance with section 272-85 of Schedule 2F to ITAA 1936 and item 23 of Schedule 1 to Trust Loss Act and are not making another interposed entity election specifying a day in the 2000–01 income year.

Print code **I** in the box at this item and the partners are not required to complete an *Interposed entity election 2001* nor attach it to the *Partnership tax return.*

Example 2

The partners have previously made an interposed entity election specifying a day in the 1996–97 income year in accordance with section 272-85 of Schedule 2F to ITAA 1936 and items 23 or 23A of Schedule 1 to Trust Loss Act—whichever is applicable—and want to make another interposed entity election specifying a day in the 2000–01 income year in accordance with section 272-85 of Schedule 2F to ITAA 1936.

Print code **K** in the box at this item and the partners provide details in an *Interposed entity election 2001* of the election they are making specifying a day in the 2000–01 income year. The completed *Interposed entity election 2001* is attached to the *Partnership tax return.*

Example 3

The partners have not previously made an interposed entity election specifying a day in an income year before the 2000–01 income year but want to make an interposed entity election specifying a day in the 2000–01 income year in accordance with section 272-85 of Schedule 2F to ITAA 1936.

Print code **O** in the box at this item and the partners provide details in an *Interposed entity election 2001* of the election they are making specifying a day in the 2000–01 income year. The completed *Interposed entity election 2001* is attached to the *Partnership tax return*.

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—family trust distribution (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, using a *Family trust distribution tax payment advice*. To find out how to obtain a copy, see the inside back cover.

Make cheques or money orders payable to the Deputy Commissioner of Taxation and print **Not negotiable** across the cheque. Tender all cheques in Australian currency. Do not send cash by mail.

Mailing addresses for the payment of FTD tax are as follows:

- Clients from New South Wales, Australian Capital Territory and Queensland

  Australian Taxation Office
  Locked Bag 1793
  Penrith NSW 1793

- All other clients

  Australian Taxation Office
  Locked Bag 1936
  Albury NSW 1936

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 tax return for the income year, the TFN retained for the new partnership is also shown in the box provided for the former partnership—see **Reconstituted partnerships** on page 3.

Final tax return

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

Attach a statement to the *Partnership tax return* 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.

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.

Declaration

One of the partners must sign and date the declaration and all attached documents.

Hours taken to prepare and complete this return

The ATO is committed to reducing the costs involved in complying with your taxation obligations. By completing this item you will help us to monitor these costs as closely as possible. Your response to this item is voluntary.

When completing this item 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:

- The answer should relate to the time both your business and tax agent spent in preparing and completing your tax return. This includes the time spent by any other person whose assistance was obtained in doing this—such as an employee of your business.
- Note to tax agents: If you are preparing this tax return on behalf of your client, include your time and a reliable estimate of their time.

Tax agent's declaration

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

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

Show at label **A** the appropriate industry code for your main business. 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*. To find out how to obtain a copy, see the inside back cover.

If the main business activity has changed since you received your 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

Print **X** in box **B1**, **B2** or **B3** to show 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 you sell any goods or services using the Internet?

Print **Y** for yes at label **Q** if, in deriving income, you used the Internet to:

- receive orders for goods and/or services. For example, you received orders by e-mail or a web page form—rather than by conventional post, telephone or facsimile
- receive payment for goods and/or services. For example, you received:
  - credit card or charge card details by e-mail or web page form—rather than by conventional post, telephone or facsimile digital cash

- deliver goods and/or services. For example, you:
  – used e-mail, the World Wide Web (www) or File Transfer Protocol (FTP) to deliver digitised music, news articles or software —rather than conventional post to deliver software on a floppy disc
  – used e-mail to give financial advice and received a commission in connection with this advice
  – advertised goods or services of other businesses for a fee on the Internet
  – hosted websites or
  – provided access to the Internet.

Print **N** for no at label **Q**, if you only used the Internet to:

- advertise your goods or services
- give support to your customers
- buy your stock.

4 Business income and expenses

The amounts included in business income—labels **C** to **G** and **D** 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 **Reconciliation items**.

Goods and services tax (GST) is payable by entities that are registered, or required to be registered, for GST. Where GST is payable in relation to income, the GST must be excluded from the income derived. Input tax credit entitlements that arise in relation to outgoings should be excluded from deductions. Adjustments to income and expenses for tax purposes are made at **Reconciliation items**.

Include in assessable income any special petroleum credit received or other special credit entitlement attributed to a tax period during the income year under the indirect tax transition legislation. Some GST adjustments may be included in assessable income or allowed as deductions. For more information refer to the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

Only include at item 4:

- business income amounts derived directly by the partnership. Distributions received from other partnerships and trusts are included at item 7 —**Partnerships and trusts**
- Australian sourced income. Foreign source income is included at:
  – item 18—**Attributed foreign income** and/or
  – item 19—**Other assessable foreign source income**.

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 2 columns.

Business income

Gross payments where ABN not quoted

Show at labels **C** and/or **D** gross payments made to the partnership that was subject to withholding where an ABN was not quoted. Gross payments include amounts of tax withheld.

Where an amount is reported at labels **C** and/or **D** complete a *Non-individual PAYG payment summary schedule*. For instructions on completing the schedule see **New schedules** on page 1.

Note: Complete labels **C** and/or **D** where an amount is reported at item 5—**Credit for tax withheld where ABN not quoted**.

Assessable government industry payments

Generally, government grants, rebates, bounties and subsidies are assessable income in the hands of the recipient if they are received in, or in relation to, the carrying on of a business. This generally includes payments of a capital nature. However, payments relating to the commencement or cessation of a business may not be assessable.

Show at labels **E** and/or **F** the following assessable government industry payments:

- bounties
- diesel fuel rebate—see below
- diesel and alternative fuels grant—see below
- employee subsidies
- export incentives grants
- fuel sales grant
- Medicare payments to medical practice partnerships
- product stewardship (oil) benefit

If this amount includes a diesel fuel rebate and/or diesel and alternative fuels grant, print **D** in the CODE box at the right of labels **E** and/or **F**.

Note: The Diesel Fuel Rebate Scheme has been extended to provide the full rebate to rail transport and marine transport. Other like fuels are also covered by the revised Diesel Fuel Rebate Scheme. For more information refer to *What's new?* To find out how to obtain a copy see the inside back cover.

Other business income

Show at labels **G** and/or **H** other business income including gross sales of trading stock, goods taken for own use from stock, any special petroleum credit received or other special credit entitlement attributed to a tax period during the income year under the indirect tax transition legislation, 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.

Section 17-30 of ITAA 1997 requires assessable income to include any special credits you were entitled to for the year under *A New Tax System (Goods and Services Tax Transition) ACT 1999*. These credits may have been given to you to cover, for example, the sales tax included in the cost of stock-on-hand at 1 July 2000. The amount of your credit entitlement(s) is included at labels **G** and/or **H**.

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

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

Note: If you have included an amount for profit on the sale of depreciable assets at labels **G** and/or **H**, see **Depreciation expenses**.

Expenses

If the partnership is registered for GST, input tax credit entitlements that arise in relation to outgoings are excluded from expenses. For more information refer to *What's new?* To find out how to obtain a copy, see the inside back cover. The amounts shown at labels **C** to **N** are accounting system amounts. Adjustments to these accounting amounts for tax purposes are made at **Expense reconciliation adjustments**.

If any expenses have been prepaid, the new prepayment provisions may affect the amount that can be claimed as a deduction. Any adjustment is made at **Expense reconciliation adjustments**. For more information see item 49—**13 month prepaid expenses**.

Contractor, sub-contractor and commission expenses

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 **Cost of sales**
- expenses for accounting or legal services. These are shown at **All other expenses**.

Record retention—Keep a record of the following:

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

Superannuation expenses

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

Employers are entitled to a deduction for contributions made to a complying superannuation, provident, benefit or retirement fund, or retirement savings account (RSA) where the contribution is to provide superannuation benefits for eligible employees, or to provide benefits to the employee's dependants on the employee's death.

Superannuation benefits mean individual personal benefits, pensions or retiring allowances.

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

From 1 July 2000 a deduction is not allowable where the fund is a non-complying fund. For more information refer to the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

In addition, contributions made to a non-complying fund do not count towards superannuation guarantee obligations. The superannuation guarantee charge is a tax payable to the Commissioner. As such, it is not a superannuation contribution and is not tax deductible.

Contributions paid by an employer for eligible employees to a non-complying superannuation fund are fringe benefits—other than where the contributions are made for an exempt visitor—and may be subject to tax under the *Fringe Benefits Tax Assessment Act 1986*.

The amount of contributions that can be claimed as a deduction by an employer contributing to a resident complying superannuation fund in respect of eligible employees is limited by the age of each relevant employee.

For the 2000–01 income year these limits are as follows:

Table 2

Age in years	Deduction limit
under 35	$11 388
35 to 49	$31 631
50 and over	$78 445

The employee's age limit is determined at the end of the last day of the income year on which the employer or an 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 a limit of $1200 per employee.

Cost of sales

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 print brackets around the amount.

For more information on 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, refer to *Taxation Ruling TR 98/7*. To find out how to obtain a copy, see the inside back cover.

Bad debts

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

Note:

- Show recovery of bad debts at labels **G** and/or **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 carrying on that business.
- Do not include accounting provisions for doubtful debts at label **F**. These are shown at **All other expenses** then added back at **Expense reconciliation adjustments**. To calculate the amount of the expense reconciliation adjustment refer to **Worksheet 3—Reconciliation statement** on pages 38–9.
- Before a bad debt can be claimed, it 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 obtain 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.

Deductions for bad debts may also be reduced by the commercial debt forgiveness provisions—see Appendix 4 on page 50.

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

Record retention—If the partnership 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 income year that the amount was returned as income.

Lease expenses

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.

Luxury car leasing

Luxury car leasing arrangements, entered into after 7.30 p.m. Australian Eastern Standard Time (AEST) on 20 August 1996, excluding those for trading stock and genuine short-term hire arrangements, 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 2000–01 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 are no longer 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 is 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. The adjustment to exclude the lease payments and allow the deduction under the luxury car depreciation limit is recorded at **Expense reconciliation adjustments**.

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 4

If the luxury car reverts 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 5

If a lessee acquires 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 continues 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 **Income reconciliation adjustments**.

Record retention—If the partnership claims a deduction for the cost of leasing property keep a record of 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

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

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 8—**Rent**, label **G**—**Interest deductions**.

Note:

- An amount of tax—withholding tax—is generally withheld from interest paid or payable to non-residents and must be remitted to the ATO.
- 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 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 47.
- 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 **Expense reconciliation adjustments**.

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

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

Total royalty expenses

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—is generally withheld from royalties paid or payable to non-residents and must be remitted to the ATO. For more information phone the Investment and royalty withholding taxes helpline on **13 2867**.

Record retention—Keep a record of 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 withheld where applicable and the date on which it was remitted to the ATO.

For more information see Appendix 2 on page 46.

Depreciation expenses

Show at label **K** the book depreciation expenses for depreciable assets. This amount does not include:

- profit on sale of depreciable assets—shown at labels **G** and/or **H**—**Other business income**
- loss on sale of depreciable assets—shown at **All other expenses**.

Tax depreciation may differ from accounting or book depreciation. The reconciliation between accounting and tax depreciation is shown at **Expense reconciliation adjustments**.

The reconciliation between accounting and tax profit for any profit on the sale of depreciated assets is shown at **Income reconciliation adjustments**.

For more information on tax depreciation see **Expense reconciliation adjustments** on page 16.

Note: If you are a small business taxpayer—see **Definition of a small business taxpayer** on page 32—do not complete a *Depreciation schedule*. If you are not a small business taxpayer and you have included an amount greater than $1000 at label **K**, complete and attach a *Depreciation schedule*. For more information see **New schedules** on page 1 and the *Depreciation schedule instructions*. To find out how to obtain a copy of these publications, see the inside back cover.

Motor vehicle expense

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

- label **G**—**Lease expenses**
- label **I**—**Interest expenses**
- label **K**—**Depreciation expenses**.

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*. To find out how to obtain a copy, see the inside back cover.

Special substantiation rules, in respect of car expenses, apply to partnerships in which at least one partner is an individual.

Print **N** in the CODE box where there is an amount shown at label **L** and this amount relates to a:

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

In all other cases print in the CODE box the code from **Table 3** that 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.

Table 3

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

Any adjustment for tax purposes to the motor vehicle expenses included in the profit and loss statement is shown at **Expense reconciliation adjustments**.

To calculate the amount of the expense reconciliation adjustment refer to **Worksheet 3—Reconciliation statement** on pages 38–9.

Repairs and maintenance

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 **Expense reconciliation adjustments**.

Repairs

Provided it is not expenditure of a capital nature, you may deduct the cost of repairs 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 items 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 *Taxation Ruling TR 97/23*. To find out how to obtain 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

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 **Expense reconciliation adjustments**.
If you have included an amount for a loss on the sale of depreciable assets at label **N**, see **Depreciation expenses**.

Total expenses

Show at label **O** the total of all expense items shown at labels **C** to **N**.

Only if there is a loss at **Cost of sales** which exceeds the total of all other expenses, print **L** to the right of the amount.

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

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 **Worksheet 3—Reconciliation statement** on pages 38–9.

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.

Note: The option to offset any assessable balancing adjustment against the cost of replacement plant has been removed except for small business taxpayers and certain involuntary disposals.

To calculate the amount of reconciliation adjustment for depreciation recouped on the disposal of depreciable assets and profit on the sale of depreciable assets included in the accounts see **Worksheet 3—Reconciliation statement** on pages 38–9. The accounts profit on sale of depreciable assets is also included at labels **G** and/or **H—Other business income**.

Note: If you have included an amount for profit on the disposal of depreciable assets at label **A**, see **Depreciation expenses**.

Division 45 of ITAA 1997 may also affect the amount shown at Reconciliation items. Broadly, where a taxpayer owns depreciable plant which has been used principally for leasing and some part of the lease period occurred on or after 22 February 1999, Division 45 and related amendments may apply from that date to include an amount in the assessable income of the taxpayer upon disposal of such plant, or an interest in the plant, or an interest in, or rights under, a lease of the plant. Similar tax consequences will arise for a partner in a partnership—leasing partnership—if the partnership owns depreciable plant which has been used principally for leasing and some part of the lease period occurred on or after 22 February 1999. Refer to sections 45-5 and 45-10 of ITAA 1997.

When more than 50 per cent direct or indirect beneficial ownership in the shares of a subsidiary of a wholly-owned company group is acquired on or after 22 February 1999 by an entity or entities, none of which is a member of the wholly-owned group, the subsidiary will be treated under Division 45 as if it had disposed of and immediately reacquired depreciable plant it owns, if the plant has been used principally for leasing and some part of the lease period occurred on or after 22 February 1999, and at that acquisition time, the plant's tax written down value is less than the plant's market value. This treatment will not apply if the main business of each acquiring entity is the same as the main business of the wholly-owned group immediately before the relevant acquisition. Refer to section 45-15 of ITAA 1997.

Each company in the wholly-owned group may become jointly and severally liable for any outstanding amount of tax payable by the subsidiary because of section 45-15 at the end of 6 months from the time such tax becomes due and payable by the subsidiary. Refer to section 45-25 of the ITAA 1997.

Similar tax consequences will arise where the subsidiary is a partner in a leasing partnership. Refer to sections 45-20 and 45-25 of ITAA 1997.

Transitional provisions modify the operation of Division 45 for the period from 22 February 1999 to 11.45 a.m. AEST on 21 September 1999.

Expense reconciliation adjustments

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 **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 **Worksheet 3—Reconciliation statement** on pages 38–9.

Depreciation deducted for tax purposes

Note: If you are a small business taxpayer—see **Definition of a small business taxpayer** on page 32—do not complete a *Depreciation schedule*. If you are not a small business taxpayer and you have made an adjustment greater than $1000 for depreciation expenses at label **B**, complete and attach a Depreciation schedule. For more information see **New schedules** on page 1 and refer to the *Depreciation schedule instructions*. To find out how to obtain a copy, see the inside back cover.

The depreciation expense in the profit and loss account is shown at **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.

Note: Accelerated depreciation was removed for plant acquired after 11.45 a.m. AEST on 21 September 1999 except for small business taxpayers satisfying certain conditions. The accelerated depreciation system was replaced with a system where depreciation is calculated by reference to the effective life of the asset. For more information, see *Taxation Ruling TR 2000/18.* To find out how to obtain a copy, see the inside back cover.

Under the *New Business Tax System (Miscellaneous) Act (No 1) 2000*, from 1 July 2000 the immediate deductibility of plant costing $300 or less has been replaced for all taxpayers other than small business taxpayers with an option to pool:

- all newly acquired plant costing less than $1000 and
- existing plant that has been depreciated to under $1000.

The pool is depreciated using the diminishing value method. For low-cost plant allocated to the pool for the first time in an income year the rate is 18.75% of the total cost of the plant allocated, regardless of when during the income year the item was actually purchased. For all other plant in the pool—that is, plant that has been allocated to the pool in a previous income year and low undeducted-cost plant allocated to the pool in the income year—the rate is 37.5%. Where the option to pool is not exercised, depreciation for each item of plant is determined by its effective life.

Maintaining the immediate deduction in the 2000–01 income year for plant costing $300 or less for small business taxpayers is only an interim measure pending the introduction of a Simplified Tax System on 1 July 2001 for these taxpayers. For more information refer to the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

Note: The *New Business Tax System (Capital Allowances) Bill 2000* contains a proposal to reinstate the immediate write-off for plant costing $300 or less for taxpayers who use the plant to produce assessable income that is not derived from carrying on a business for the 2000–01 income year.

If you claimed a deduction last year for GST-related plant and equipment which you ordered by 30 June 2000 but now find that you failed to comply with the requirement that the plant or equipment had to be installed by 30 June 2001 you should request an amendment. For more information refer to *A New Tax System (Tax Administration) Act (No 2) 2000*.

Proposed amendments in *Taxation Laws Amendment Bill (No 5) 1999* have been introduced to prevent taxpayers obtaining deductions for capital expenditure in excess of their actual outlays.

The measures will apply where the expenditure has been financed by hire purchase or limited recourse finance and the debtor does not fully pay out the capital amounts owing.

Proposed new Division 240 of ITAA 1997 will apply to hire purchase and instalment purchase transactions entered into after 27 February 1998. Proposed new Division 243 of ITAA 1997 will apply to limited recourse arrangements which terminate after 27 February 1998. For more information refer to the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

Note: Some specific issues in respect of depreciation include:

- In certain circumstances where the commercial debt forgiveness provisions in Division 245 of ITAA 1936 apply, the cost or undeducted cost of plant used in calculating depreciation may be reduced by amounts forgiven. Refer to section 42-48 of ITAA 1997.
- Deductions for capital works under Division 43 of ITAA 1997 are claimed at the appropriate labels —for example, item **8**—**Rent**, label **X**—**Capital works deductions**.
- Measures contained in Division 45 of ITAA 1997 and related amendments, dealing with disposal of leases and leased plant, may affect the amount to be included at label **B**.
- Special deductions for software expenditure generally are contained in Division 46 of ITAA 1997.

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

To calculate your depreciation for income tax purposes see **Worksheet 1**—**Depreciation** on page 36. To calculate the adjustments to reconcile depreciation charged in the accounts and depreciation deductible for tax purposes see **Worksheet 3**—**Reconciliation statement** on pages 38–9

For an explanation of the debt forgiveness rules and undeducted costs which are reduced where debt forgiveness is applicable see Appendix 4 on page 50.

Tax exempt entities that become taxable

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.

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

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 **All other expenses**. The tax loss on the disposal of depreciable assets may differ from the loss included in the accounts, with the difference shown at **Expense reconciliation adjustments**.

To calculate the amount of reconciliation adjustment for a tax loss on the disposal of depreciable assets and loss on the sale of depreciable assets included in the accounts, see **Worksheet 3**—**Reconciliation statement** on pages 38–9.

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

Drought investment allowance

Show at label **U** the drought investment allowance (DIA) that provides a deduction of 10 per cent of the expenditure, incurred after 23 March 1995 and before 1 July 2000, 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 partnership—that lease drought mitigation property to primary producers.

Eligibility criteria for primary producers

The main criteria for the DIA include:

- The partnership must incur the expenditure in acquiring or constructing a new item of drought mitigation property, after 23 March 1995 and before 1 July 2000.
- The property is to be used only in Australia and to earn primary production assessable income 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.
- The maximum deduction allowable to a partnership in an income year for one or more items of drought mitigation property is $5000. Excess expenditure, or any deduction based on it, does not carry over to other years. If expenditure on more than one item is allowable, the maximum deduction must be apportioned having regard to the cost of each item.
- The deduction is allowable in the income year of first use or installation ready for first use.

Although primary producers can claim the DIA in addition to any other allowable deductions, they cannot claim the allowance where a claim has been made under

- section 73B of ITAA 1936—expenditure on research and development (R&D) activities and
- the following provisions of ITAA 1997:
  - Subdivision 387-E—mains electricity connection
  - Subdivision 330-A—exploration and prospecting
  - Subdivision 42-D—depreciation rates.

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.

If a recoupment amount is assessable under another provision of the income tax law, Subdivision 20-A does not apply.

Net income or loss from business

Show the total business income at:

- label **Q** from primary production and/or
- label **R** from 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.

Show at label **S**:

- **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**

equals 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 Tax withheld where ABN not quoted

Show at label **T** the total tax withheld from income subject to withholding where an ABN was not quoted. This amount equals the sum of the amounts shown in the tax withheld boxes on the *Non-individual PAYG payment summary schedule*. For instructions on completing the schedule see **New schedules** on page 1.

Do not include any share of tax withheld that is a distribution from another partnership or trust where an ABN was not quoted. This is shown at item 7—**Partnerships and trusts**, label **C**—**Share of credit for tax withheld where ABN not quoted**.

Note: Where an amount of tax withheld is reported at label **T** the corresponding gross income must be declared at item 4—**Business income**, labels **C** and/or **D**—**Gross payments where ABN not quoted**.

7 Partnerships and trusts

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

The partnership's income from a trust includes income the partnership 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 **Worksheet 4—Distribution of income from other partnerships and trusts** on page 40. Distributions from another partnership or a trust include the partnership's share of:

- TFN amounts withheld from interest and/or dividends
- amounts withheld where an ABN was not quoted.

This is the partnership's record if the ATO needs more details later.

Note:

- Income distributions from partnerships and trusts are not to include foreign income or a capital gain at item 7. Foreign income is shown at item 18—**Attributed foreign income** and item 19—**Other assessable foreign source income**.
  A partnership does not own assets for CGT purposes. The partners in the proportion to which they have agreed own a partnership asset. 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 capital gain or capital loss in their own tax return. For more information on how a partner returns their share of a capital gain or capital loss refer to the publication *Guide to capital gains tax*. To find out how to obtain a copy, see the inside back cover.
- If FTD tax has been paid on a conferral of present entitlement to, or distribution of, income or capital of another partnership which would otherwise be assessable to the partnership, the income or capital is excluded from the partnership'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 tax offset 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 circumstances in which FTD tax is payable see page 8.
  Where the trustee of a closely held trust is subject to ultimate beneficiary non-disclosure tax (UBNT) on a share of net income of the closely held trust, the trustee beneficiary (and as a result any partnership or other trust to which that share of net income may pass or ultimate beneficiary) is not required to include that share of net income in their own assessable income.

Primary production

Distribution from partnerships

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

Show at label **Z** the amount of primary production income distribution from 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 in the box to the right of label **Z** the code from **Table 4** that best describes the type of trust from which the distribution is made. If this amount is from more than one type of trust print the code that represents the trust with the greatest amount of distribution. Descriptions of the types of trusts are at **Table 5**.

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

Table 4

Code	Type
D	Deceased estate
F	Fixed trust—other than a fixed unit trust or a public unit trust shown at **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 5 Description of trusts

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 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.

Deductions relating to distribution in labels A and Z

Show at label **S** the partnership's own deductions for primary production distributions from other partnerships or trusts.
If any expenses have been prepaid, the amount that can be claimed at label **S** may be affected by the new prepayment provisions. For more information see item 49—**13 month prepaid expenses**.

Net primary production distribution

Show at this item the net result of partnership and/or trust distributions of primary production income.
Print 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 from partnerships, less foreign income

Show at label **B** the amount of non-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.
Where the distribution includes franked dividends show the grossed up amount—that is, the total of the imputation credit and the 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

Show at label **R** the amount of non-primary production income distributions from other trusts. Where the distribution includes franked dividends show the grossed up amount—that is, the total of the imputation credit and the 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 in the box to the right of the amount the code from **Table 4** on page 20, that best describes the type of trust from which the distribution is made. If this amount is from more than one type of trust print the code that represents the trust with the greatest amount of distribution. Descriptions of the types of trusts are at **Table 5** on page 20.

Deductions relating to distribution in labels B and R

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

If any expenses have been prepaid, the amount that can be claimed at label **S** may be affected by the new prepayment provisions. For more information see item 49—**13 month prepaid expenses**.

Note: If FTD tax has been paid on income or capital of another partnership or a trust to which the partnership is presently entitled or which has been distributed to the partnership, the income or capital is excluded from the assessable income of the partnership under section 271-105 of Schedule 2F to ITAA 1936 and is not shown at labels **A**, **Z**, **B** or **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 labels **S** or **T**. For more information about the circumstances in which FTD tax is payable see page 8.

Where the trustee of a closely held trust is subject to UBNT on a share of net income of the closely held trust, the trustee beneficiary (and as a result any partnership or other trust to which that share of net income may pass or ultimate beneficiary) is not required to include that share of net income in their own assessable income and is not shown at labels **A**, **Z**, **B** or **R**.

Any losses or outgoings incurred in deriving an amount, which is excluded from assessable income, are not deductible and cannot be claimed at labels **S** or **T**.

Net non-primary production distribution

Show at this item the net result of partnership and/or trust distributions of non-primary production income.

Print 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 credit for tax withheld where ABN not quoted

If the partnership or trust income shown at labels **A**, **Z**, **B** or **R** includes any share of tax withheld where an ABN was not quoted, show the share of that credit at label **C**.

Share of imputation credit from franked dividends

Show at label **D** the partnership's share of any imputation credits received through another partnership or trust. Do not show imputation credits if the holding period rule and the related payments rule were not satisfied in relation to the dividend. For more information see Appendix 1 on page 45.

Show imputation credits received directly from a paying company at item 10—**Dividends**, label **M —Imputation credit**.

Note: If FTD tax has been paid on a dividend paid or credited to the partnership by a company which has made an interposed entity election, the dividend is excluded from the assessable income of the other partnership under section 271-105 of Schedule 2F to ITAA 1936. A credit or tax offset 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 8.

Where the trustee of a closely held trust is subject to UBNT on a share of net income of the closely held trust, the trustee beneficiary (and as a result any company or ultimate beneficiary) is not required to include that share of net income in their own assessable income and a credit or tax offset cannot be claimed for any imputation credit attached to that dividend.

Share of credit for TFN amounts withheld from interest and dividends

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

Show at label **E** the partnership's share of the net amount of TFN amounts withheld on interest and/or dividends included in a distribution from another partnership or trust. Credits for TFN amounts withheld are allowed in the assessments of the partners.

8 Rent

Gross rent

Show at label **F** the gross amount of rental income. This item cannot be a loss.

If the partnership is registered for GST and GST is payable in relation to rental income, the GST is excluded from gross rent shown at label **F**.

Rent from foreign sources is shown at item 19 —**Other assessable foreign source income**.

Lease premiums taxable as a capital gain are shown in each partner's own tax return. For more information about capital gains generally refer to the publication *Guide to capital gains tax*. To find out how to obtain a copy, see the inside back cover.

Interest deductions

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 47.

Capital works deductions

Show at label **X** the total capital works deductions amount for rental buildings only. For information on capital works deductions see Appendix 5 on page 52.

Other rental deductions

Show at label **H** the total of other deductible expenses incurred in earning rental income.

If the partnership is registered for GST and GST is payable in relation to rental income, any input tax credit entitlements that arise in relation to expenses are excluded from the amount shown at label **H**. For more information refer to the publication *What's new*? To find out how to obtain a copy, see the inside back cover.

For more information on allowable deductions see Appendix 5 on page 52.

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 the publication *Rental Properties*. To find out how to obtain a copy, see the inside back cover.

9 Gross interest

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 **Worksheet 5 —Interest** on page 41. Keep the worksheet with the partnership's tax records.

Discounted, deferred interest or capital-indexed securities

Show at label **J** the appropriate amount of discount, interest or other gain if the discount, interest or any other gain accrued this income year on a discounted, deferred interest or capital-indexed security that:

- 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.

Example 6

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 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 each income year is equal to the increase in value of the security in that year, as follows:

Table 6

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 cannot be calculated, see the inside back cover.

TFN amounts withheld from gross interest

Show at label **I** any TFN amounts withheld from gross interest where a TFN has not been provided to the financial institution.

Record retention—Keep all documents issued by the financial institution that detail payments of income and any TFN amounts withheld from those payments.

Do not attach these documents to the *Partnership tax return* but keep with the partnership's tax records.

Note: The ATO may check the amount shown at **Gross interest** with its own records to determine accuracy. For more information see **Information matching** on page 4.

10 Dividends

If the partnership 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 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 19—**Other assessable foreign source income**.

Copy details from all statements to the **Worksheet 6—Dividend** on page 42. Keep this with the partnership's tax records.

Taxation Laws Amendment Act (No 3) 2000 made some changes to the Film Licensed Investment Company (FLIC) tax concession. The concession has been changed so that certain returns of concessional capital—that is, capital invested in a FLIC during its licence period—will be treated as franked dividends. This amendment is effective from 7 December 1998.

For partnerships, this dividend is included as income in the same proportion to which the individual partner subscribed for the concessional capital shares and is shown in their own tax return.

Note: If FTD tax has been paid on a dividend paid or credited to the partnership by a company which has made an interposed entity election, the dividend is excluded from the assessable income of the partnership under section 271-105 of Schedule 2F to ITAA 1936 and is not shown at labels **K** or **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 tax offset cannot be claimed by the partnership 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 8.

For more information on dividends, imputation credits and tax offset entitlement see Appendix 1 on page 45.

Unfranked amount

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

If the partnership 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.

Franked amount

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

Imputation credit

Show at label **M** the amount of imputation credits received directly from a paying company. Do not show imputation credits if the partnership did not satisfy the holding period rule and the related payments rule in relation to the dividend. For more information see Appendix 1 on page 45.

The amount at label **M** is allowed as a tax offset to reduce the tax payable by the partners. Show imputation credits received indirectly through another partnership or a trust at item 7—**Partnerships and Trusts**, label **D**—**Share of imputation credit from franked dividends**.

TFN amounts withheld on dividends

Show at label **N** the total of TFN amounts withheld on dividends received, less any refund of TFN amounts withheld.

Note: The ATO may check the amount shown at labels **K**, **L** and **M** with its own records to determine accuracy. For more information see **Information matching** on page 4.

11 Other Australian income

If, during the year ended 30 June 2000, the partnership was paid any bonuses or other amounts in the nature of bonuses on the maturity, forfeiture or 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 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:

- 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 partners—in their own assessment—may claim a tax offset 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 or Western Australia or
- Suncorp Insurance and Finance in Queensland.

The tax offset 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 and is apportioned among the partners in the same ratio as they share in that net income or loss.

If the partnership received bonuses from a friendly society and other institutions include the total amount at label **O**. To ensure that the right tax offset is allowed, attach a statement to the *Partnership tax return* 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 a record of 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 obtain a copy, see the inside back cover.

Royalties

For information on royalty income shown at label **O**, see Appendix 2 on page 46. 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.

Note: As foreign currency is a CGT asset, the capital gains provisions apply to any capital gain or capital loss made on a CGT event happening. Each partner must include their share of the capital gain or capital loss in their own tax return. Any capital gain would generally be reduced to prevent double taxation if the gain was assessable under Division 3B of Part III of ITAA 1936.

For an explanation of foreign exchange gains or losses of a capital nature see Appendix 6 on page 57.

12 Total of items 4 to 11

Show at item 12 the total of all Australian income.

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

13 Deductions relating to Australian investment income

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

For more information on thin capitalisation see Appendix 3 on page 47.

14 Other deductions

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

If the partnership is registered for GST, any input tax credit entitlements that arise in relation to expenses incurred by the partnership should be excluded from the amount shown at label **Q**. For more information refer to the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

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 in the management of the tax affairs of the partnership.

Expenses incurred include:

- the cost of attending an ATO audit
- tax planning
- expenditure on the income tax affairs of the partnership—that is, a fee or commission for professional advice where the advice is provided by a registered tax agent, or a barrister or solicitor

The partnership 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 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.

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.

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.

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 contained in *Taxation Laws Amendment Act (No 2) 2000* refer to the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

Subscriptions

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

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

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

Foreign exchange gains or losses

Show at label **Q** deductions relating to foreign exchange gains or losses included at item 11—**Other Australian income**.

15 Total of items 13 to 14

Show at item 15 the total deductions relating to Australian income.

16 Net Australian income or loss

Show at label **$** the net income or loss relating to Australian income for a partnership—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 Attributed foreign income

For more information on the calculation of the amounts shown at labels **M**, **U** and **X** refer to the publication *Foreign income return form guide*.

For more information on the calculation of the amount shown at label **Y** refer to the publication *Foreign investment funds guide*. To find out how to obtain a copy of these publications, see the inside back cover.

Did you have either a direct or indirect interest in a foreign trust, controlled foreign company or transferor trust?

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 has an interest in a transferor trust if the partnership 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 *Schedule 25A*.

If the answer to this question is no, print **N** at label **S**.

For more information refer to the *Schedule 25A instructions*. To find out how to obtain a copy, see the inside back cover.

Did you have an interest in a foreign investment fund (FIF) or a foreign life assurance policy (FLP)?

If the answer is yes, print **Y** at label **T** and complete **Section B** of *Schedule 25A*.

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.

Broad-exemption listed country

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

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

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 labels **M** or **U**.

FIF/FLP income

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.

19 Other assessable foreign source income

Foreign source income is included in the net income of the partnership. Foreign source income that is not shown at item 18—**Attributed foreign income** is shown at item 19.

Gross foreign source income

Show at label **B** the gross amount of assessable income derived by the partnership from foreign sources, excluding:

- income already shown at item 18—**Attributed foreign income**
- any foreign source capital gains or capital losses. Each partner must include their share of any foreign source capital gain or capital loss in their own tax return.

Note: In referring to ‘foreign source capital gains’ an Australian resident partner makes a capital gain if a CGT event happens to any of their worldwide CGT assets. A partner that is not an Australian resident makes a capital gain, generally speaking, if their CGT asset has the necessary connection with Australia just before the CGT event happens.

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

Show at label **V** the net income derived by the partnership from foreign sources, excluding:

- income already shown at item 18—**Attributed foreign income**
- any foreign source capital gains or capital losses. Each partner must include their share of any foreign source capital gain or capital loss in their own tax return.

This is the gross amount shown at label **B**, less any deductions allowable to the partnership against that income.

The partnership 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 are not available for distribution to the respective partners. For more information refer to *Taxation Determination TD 92/113*. To find out how to obtain 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 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.

Foreign tax credit

Show at label **Z** the amount of any foreign tax credit claimed against foreign source income.

For information on how to calculate the amounts of net foreign income and foreign tax credit allowable refer to the publication *Foreign income return form guide* at Chapter 3. To find out how to obtain a copy, see the inside back cover.

For more information on how to calculate the amount of net foreign source income and foreign tax credit that each partner is entitled to, see **Worksheet 8—Distribution of foreign income and foreign tax credits** on page 44.

Note: Do not include foreign tax credits in relation to capital gains at label **Z**. Each partner must include their share in their own tax return.

20 Total of items 16 to 19

Show at item 20 the total of the amounts shown at items 16 to 19.

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

25 Overseas transactions

With related entities

If the answer to either part of this item is yes, print **Y** at label **W** and complete **Section A** of *Schedule 25A*.

If the answer to this item is no, print **N** at label **W**.

For more information on thin capitalisation see Appendix 3 on page 47.

If you answered yes to only 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 *Schedule 25A* and leave items 14 and 15 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.

26 Personal services income

New rules for the income tax treatment of certain personal services income (PSI) commenced on 1 July 2000. The rules are designed to improve the integrity of the tax system by limiting and clarifying the deductions available against PSI received by an individual. For more information see **New schedules** on page 2.

If PSI is gained other than in the course of conducting a personal services business exclude:

- this income from your assessable income and
- any expenses claimed as a deduction that relate to this income.

Does your income include an individual's personal services income?

PSI is income that is mainly a reward for an individual's personal efforts or skills. Print **Y** for yes or **N** for no at label **N**.

If Yes to label N, were you a PPS entity as at 13 April 2000?

A partnership is a PPS entity if the partnership had a valid *PPS payee declaration* in force on 13 April 2000 and it was received by the Commissioner on or before that date.

Print **Y** for yes or **N** for no at label **O**.

If the answer to label **N** is **Y** for yes and to label **O** is **N** for no, complete and attach *a Personal services income schedule* to the *Partnership tax return*. The *Personal services income schedule instructions* contain a more detailed explanation of the new PSI rules. To find out how to obtain a copy, see the inside back cover.

Business and professional items 27 to 48

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, send written advice of the change to the ATO at the time the change is made.

Show the current business name on the tax return.

28 Business address of main business

Show the street address of the main business. This is the place where most of the business decisions are made.

Postcode

Show at label **A** the postcode of the main business. This is the place where most of the business decisions are made.

29 Opening stock

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* has been prepared. The amount shown by the partnership 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**, **Cost of sales**.

For information on GST and input tax credits see item 4—**Business income and expenses**.

30 Purchases and other costs

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

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* has been prepared. The amount at label **D** is the value calculated for income tax purposes under section 70-45 of ITAA 1997.

If the partnership is registered for GST, the value of closing stock should not include an amount equal to the input tax credit that would arise if the partnership had acquired the item solely for business purposes at the end of the income year. Input tax credits do not arise for some items of trading stock, such as shares.

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 —**Business income**, **Total business income**.

Print in the CODE box the code from **Table 7** 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 greatest value.

Table 7

Code	Valuation method
C	Cost
M	Market selling value
R	Replacement price

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 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.

The partnership 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 48 —**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 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: For more information on 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, refer to *Taxation Ruling TR 98/7*. To find out how to obtain a copy, see the inside back cover.

32 Trade debtors

Show at label **E** the total amounts owing to the partnership at year end for goods and services provided during the income year—that is, current trade debtors. Also include this amount at item 33 — **All current assets**.

For information on GST and input tax credits see item 4—**Business income and expenses** on page 10.

33 All current assets

Show at label **F** all assets of the partnership, including all current assets and other debtors. Include cash on hand, accounts receivable, short-term bills receivable, inventories and cash at bank. Also include the amount shown at item 32 —**Trade debtors**.

For information on GST and input tax credits see item 4—**Business income and expenses** on page 10.

34 Total assets

Show at label **G** all assets of the partnership, including current, fixed, tangible and intangible assets. Also include the amount shown at item 33 —**All current assets**.

For information on GST and input tax credits see item 4—**Business income and expenses** on page 10.

35 Trade creditors

Show at label **H** the total amounts owed by the partnership at year end for goods and services provided during the income year—that is, current trade creditors. Also include this amount at item 36—**All current liabilities**.

For information on GST and input tax credits see item 4—**Business income and expenses** on page 10.

36 All current liabilities

Show at label **I** the total obligations payable by the partnership within the coming year. Also include the amount shown at item 35—**Trade creditors**.

For information on GST and input tax credits see item 4—**Business income and expenses** on page 10.

37 Total liabilities

Show at label **J** all liabilities of the partnership, including other creditors and deferred liabilities such as loans secured by mortgage and long term loans. Also include the amount shown at item 36—**All current liabilities**.

For information on GST and input tax credits see item 4—**Business income and expenses** on page 10.

38 Proprietors' funds

Show at label **K** the net proprietors' funds per accounting records. The amount shown at item 34—**Total assets**, less the amount shown at item 37—**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.

39 Total salary and wage expenses

Show at label **L** the total salaries, wages and other labour costs actually paid or payable to persons employed in the partnership's business. However, exclude those costs for private domestic assistance or forming part of capital expenditure, as they are not deductible.

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 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**, **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 item 40—**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 in the CODE box the code from **Table 8** that matches the description of the expense component where salary and wage expenses have been wholly or predominantly reported.

Table 8

	Included in the expense component of:
C	**Cost of sales**
A	**All other expenses**
	Included in both the expense components of:
B	**Cost of sales** and **All other expenses**
	Included in other than:
O	**Cost of sales** and/or **All other expenses**

Payments to related entities

Show at label **M** the amounts, including salaries, wages, commissions, superannuation contributions or allowances, paid to related entities.

(A related entity has the meaning given by subsections 26-35(2) and 26-35(3) of ITAA 1997 and includes a relative, spouse or partner).

Also include the amounts of salaries and wages paid to related entities at item 39—**Total salary and wage expenses**.

Record retention—Excessive remuneration paid to a related entity may not be deductible. 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

Show at label **N** the cost, for income tax depreciation purposes, of all depreciable assets—other than buildings—first depreciated during the income year. The amount shown is the cost of the depreciable assets less adjustments made, such as those made under sections 42–65, 42–175, 42–285 and 42–293 of ITAA 1997.

If the partnership is registered for GST, any input tax credit entitlements that arise in relation to the acquisition cost are excluded from the amount shown at label **N**.

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.

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. These provisions apply to plant that would have qualified for a capital allowance under the provisions of Subdivision 330-H of ITAA 1997—transport capital expenditure.

Measures contained in Division 45 of ITAA 1997 and related amendments, dealing with disposal of leases and leased plant, may affect the amount to be included at label **N**. For more information see item 4—**Reconciliation items**.

Note: If you have included a deductible balancing adjustment at label **N**, see item 4 —**Expenses**, **Depreciation expenses**.

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

42 Depreciable assets sold

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.

The amount received excludes any GST payable where the partnership is registered for GST and GST is payable in relation to the amount received on disposal of the asset.

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.

Measures contained in Division 45 of ITAA 1997 and related amendments, dealing with disposal of leases and leased plant, may affect the amount to be included at label **O**. For more information see item 4—**Reconciliation items**.

Note: If you have included a deductible balancing adjustment at label **O**, see item 4 —**Expenses**, **Depreciation expenses**.

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

43 Fringe benefit employee contributions

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.

44 Interest expenses overseas

Show at label **Q** the deductible interest incurred on money borrowed from overseas sources.

This amount is also included at item 4—**Expenses**, **Total interest expenses**.

Note: An amount of tax—withholding tax—is generally withheld from interest paid or payable to non-residents, and from interest derived by a resident through an overseas branch. These amounts must be remitted to the ATO. Under section 221YRA of ITAA 1936 no deduction is allowable unless any withholding tax has been remitted to the Commissioner.

Record retention—If interest is paid to non-residents keep a record of the following:

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

For more information on thin capitalisation see Appendix 3 on page 47.

45 Royalty expenses overseas

Show at label **R** the royalty expenses paid to non-residents during the income year.

This amount is royalties included in item 4—**Expenses**, **Total royalty expenses**, plus or minus any reconciliation adjustment for royalty expenses that was included at item 4—**Reconciliation items**.

Note: An amount of tax—withholding tax—is generally withheld from royalties paid or payable to non-residents. This amount must be remitted to the ATO. Under section 221YRA of ITAA 1936 no deduction is allowable unless any withholding tax has been remitted to the Commissioner. For more information phone the Investment and royalty withholding taxes helpline on **13 2867**.

Record retention—Keep a record of 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 withheld where applicable and the date on which it was remitted to the ATO.

47 Environmental impact assessment and protection expenses

Show at label **V** specified expenditure of a capital nature or otherwise for:

- environmental impact studies allowable under Subdivision 400-A of ITAA 1997—see Appendix 7 on page 57
- environmental protection activities allowable under Subdivision 400-B of ITAA 1997—see Appendix 8 on page 58.

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**, **All other expenses**. The reconciliation adjustment for tax purposes in respect of these expenses is shown at item 4—**Reconciliation items**.

48 Trading stock election

A partnership 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 more information on trading stock valuations where obsolescence or other special circumstances exist refer to *Taxation Ruling TR 93/23*. To find out how to obtain a copy, see the inside back cover.

Where an election is made, print **Y** for yes in the box at this item.

49 13 month prepaid expenses

Do the new prepayment provisions apply?

The rules that allow immediate deductibility for expenditure incurred in respect of things to be done within 13 months of the expenditure being incurred have changed. For many businesses, the deduction for most prepaid expenditure incurred after 11.45 a.m. AEST on 21 September 1999 must be apportioned over the period the prepayment covers. This is consistent with the treatment of prepayments for periods exceeding 13 months.

Transitional rules apply to reduce the initial impact of this measure.

Note: These transitional rules do not apply to most prepaid expenses incurred under a tax shelter arrangement after 1.00 p.m. Australian Eastern Daylight Time (AEDT) on 11 November 1999.

This change does NOT apply to:

- any prepaid expense incurred prior to 11.45 a.m. AEST on 21 September 1999
- any non-business expenditure
- any prepaid expense incurred by a small business taxpayer—as defined by sections 960-335 and 960-350 of ITAA 1997. For **Definition of a small business taxpayer** see below.
- any prepaid expense incurred after 11.45 a.m. AEST on 21 September 1999 but in accordance with a contractual obligation, existing BEFORE that time, that the taxpayer cannot unilaterally escape
- any prepaid expense that is 'excluded expenditure'—that is:
  - an amount below $1000
  - an amount required to be incurred by a law or a court order or
  - an amount of salary or wages;
- any prepaid expense where the deduction is spread over the period the prepayment covers under the tax shelter rules.

Definition of a small business taxpayer

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, having not met this requirement
- the taxpayer chooses to recalculate their average turnover for an income year before the 2001–02 income year and it is less than $1 million.

For more information refer to the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

Print **Y** for yes at label **T** if you do have prepaid expenses affected by this measure and also complete both labels **X** and **Y**.

Print **N** for no at label **T** if you do not have prepaid expenses affected by this measure. Do not complete labels **X** and **Y**. Your prepaid expenses will be treated in the same way as they would have been before the changes were made—unless they are apportionable under the new tax shelter rules explained on page 33.

Transitional Rules

Transitional rules apply to prepayments affected by this measure. These prepayments can be divided into 2 parts:

- the current year amount worked out using the following formula:

$$\text{Expenditure} \times \frac{\text{Number of days of esp in the expenditure year}}{\text{Total number of days of esp}}$$

The esp (eligible service period) is the period during which the thing is to be done under the agreement.

- the later year amount, which is the difference between the expenditure and the current year, amount.

The current year amount is immediately deductible in the income year in which it is incurred and should be included in the appropriate expense at item 4 **—Expenses.**

Later year amounts may be eligible for concessional treatment under the transitional rules as summarised in the following table.

Table 9

Year	Year that 13 month prepaid expense was incurred (expenditure year)	% of later years' expenditure deductible in that year	% of that prepaid expense deductible in the next year
1st	Income year including 21 Sep.1999	80%	20%
2nd	Income year following the 1st year	60%	40%
3rd	Income year following the 2nd year	40%	60%
4th	Income year following the 3rd year	20%	80%

For expenditure prepaid in the 2nd, 3rd and 4th years there is a limit to the later year amount that is eligible for transitional treatment. The cap is the total of later year amounts for expenditure that was subject to the new measure in the income year including 21 September 1999—referred to as the initial year. For most taxpayers 1999–2000 was the initial year. Prepaid expenses incurred under tax shelters—see below—after 1.00 p.m. AEDT on 11 November 1999, and which are apportionable under the tax shelter rules, are excluded from the cap.

Initial year 13 month prepaid expenses

Show at label **X** the amount of the cap (if any).

Note: If the cap equals zero, later year amounts for prepaid expenses after the initial year are deductible proportionately over the years the prepaid expenses cover after the year they were incurred.

Taxpayers entitled to deduct 80% of the cap in the 1999–2000 income year are entitled to deduct the remaining 20% of the cap in 2000–01 income year. The 20% deduction should be included in the appropriate expense label at item 4—**Expenses**.

Later year 13 month prepaid expenses

Show at label **Y** the total of later year amounts for expenses prepaid in the 2nd year—that is, the 2000–01 income year for most taxpayers.
Prepaid expenses incurred under tax shelters—see below—after 1.00 p.m. AEDT on 11 November 1999, and which are apportionable under the tax shelter rules, are excluded from this total of later year amounts.

Taxpayers are entitled to deduct 60% of the lesser of this amount and the initial year cap in that income year.

If the total of the later year amounts for expenses prepaid in an income year after the initial year, is in excess of the cap, the excess is deductible proportionately over the years the prepaid expenses cover after the year they were incurred.

Taxpayers may choose how much of the later year amounts for each particular expenditure that will contribute to the total amount eligible for transitional treatment up to the amount of the cap.

Where expense labels at item 4—**Expenses** include prepaid expenses which differ from the amounts allowable as deductions in 2000–01 income year, make a reconciliation adjustment at item 4 —**Reconciliation items**.

Note: Amounts deductible under these new rules are subject to the commercial debt forgiveness rules which are outlined in Appendix 4 on page 50.

Transitional rules for prepaid expenses do not apply to tax shelters

The transitional rules which phase in the effects of removing the 13 month immediate deduction rule for prepaid expenses incurred by business other than small business, do not apply to prepaid expenses apportionable under the tax shelter rules. These prepaid expenses are required to be spread over the eligible service period.

Tax shelter prepaid expenses

Special rules apply to prepaid expenses made in relation to tax shelters. These special rules apply to all taxpayers, and will ensure that the transitional arrangements—see page 32—will not apply when the prepaid expense is apportionable under the tax shelter rules.

Under the tax shelter rules, prepaid expenses that would otherwise be immediately deductible—or subject to transitional rules—will be apportioned over the period the benefits for which the payment is made are provided—eligible service period—if:

- the expenditure is incurred
  - after 1.00 p.m. AEDT on 11 November 1999 under an agreement and
  - for something that will not wholly be done in the same income year
- the agreement has the following characteristics:
  - the taxpayer’s allowable deductions attributable to the agreement for the income year in which the expense is incurred exceed the assessable income attributable to the agreement for that income year
  - the taxpayer does not have day to day control over the operation of the agreement and
  - at least one of the following is met:
    - ~ more than one taxpayer participates as an investor in the agreement or
    - ~ the manager, arranger or promoter of the agreement, or an associate, carries out similar activities for other taxpayers.

An agreement covered by these rules does not just include the specific agreement under which the prepaid expenses obligation arises, but also covers all related activities, including those that give rise to deductions or assessable income. For example, if a taxpayer invests in a tax shelter, and prepays interest on a loan used to fund management fees of the manager, the prepaid interest would also be subject to these rules.

Exclusions from the tax shelter rules

The following prepaid expense is excluded from the application of the tax shelter rules but may be subject to the 21 September 1999 prepayment rules if the relevant conditions are satisfied:

- premiums for building insurance, contents insurance or rent protection insurance or
- interest on money borrowed to acquire
  - real property or an interest in real property
  - shares listed on an approved stock exchange or
  - units in a widely held unit trust which has at least 300 beneficiaries,

provided the agreement is conducted at arm's length and that the taxpayer has, or can reasonably be expected to obtain rent, dividends or trust income, but no other kind of assessable income—except a capital gain or insurance receipt—from the agreement.

Also specifically excluded from the application of the new rules are:

- certain expenditure that is an allowable deduction under the infrastructure borrowing rules
- expenditure incurred under a contractual obligation—requiring prepayment for something to be done under the agreement—entered into prior to 1.00 p.m. AEDT on 11 November 1999 and which the taxpayer cannot escape by unilateral action
- expenditure under an agreement which, prior to 1.00 p.m. AEDT on 11 November 1999, had obtained, or had applied for and later obtained, a favourable ATO product ruling and
- any prepaid expense, which is 'excluded expenditure'—that is, an amount below $1000, an amount required to be incurred by a law or a court order, or an amount of salary or wages.

Calculating your deduction

Use the following formula to calculate your deduction for prepaid expense that is affected by the tax shelter rules.

$$\text{Expenditure} \times \frac{\text{Number of days of esp in the income year}}{\text{Total number of days of esp}}$$

Where expense labels at item 4—**Expenses** include prepaid expenses which differ from the amounts allowable as deductions in the 2000–01 income year, make a reconciliation adjustment at item 4—**Reconciliation items**.

51 Statement of distribution of net Australian income or loss as shown at item 16

The distribution statement must show only Australian source income or loss, as shown at item 16—**Net Australian income or loss** on the *Partnership tax return*.

The distribution of this income is shown in each partners return at:

Individuals

- item 12—**Partnerships and trusts**

Companies

- item 5—**Calculation of total profit or loss**

Trusts

- item 7—**Partnerships and trusts**

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 own tax return at the following:

Individuals:

- item 17—**Capital gains**
- item 18—**Foreign entities**
- item 19—**Foreign source income**
- item 19—**Foreign tax credits**, label **O**.

Companies:

- item 6—**Reconciliation to taxable income or loss**
- **Calculation statement**—**Foreign tax credits**.

Trusts:

- item 17—**Capital gains**
- item 18—**Foreign entities**
- item 19—**Other assessable foreign income**.

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

If the number of partners exceed 5

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.

On the 5th line print **Summary** in column 1 and show the tax agent's address instead of the partner's address. In the other columns show summarised totals for the additional partners.

Attach the list to the *Partnership tax return* 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 headings

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 withheld where an ABN was not quoted. The total of column 3 equals the sum of any credit claimed at:

- item 5—**Tax withheld where ABN not quoted**, label **T** and
- item 7—**Partnerships and trusts**, label **C —Share of credit for tax withheld where ABN not quoted**.

Column 4:

Show each partner's share of imputation credit for franked dividends. The total of column 4 should agree with the sum of imputation credit claimed at:

- item 7—**Partnerships and trusts**, label **D —Share of imputation credits from franked dividends** and
- item 10—**Dividends**, label **M**—**Imputation credit**.

Column 5:

Show each partner's share of credit for tax withheld on interest and/or dividends by financial institutions as a result of the requirement to quote a TFN. The total of column 5 should agree with the sum of TFN amounts withheld on interest and/or dividends at:

- item 7—**Partnerships and trusts**, label **E — Share of credit for TFN amounts withheld from interest and dividends**
- item 9—**Gross interest**, label **I**—**TFN amounts withheld from gross interest** and
- item 10—**Dividends**, label **N**—**TFN amounts withheld from dividends**.

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 Commissioner 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 details in support of the request. Print **Yes** in the **Have you attached any 'other attachments'?** box on page 1 of the *Partnership tax return*.

Worksheet 1 Depreciation

For more information refer to the publication *Guide to depreciation*. To find out how to obtain a copy, see the inside back cover. This worksheet has been reduced in size to fit this page.

Primary production only ☐ Non-primary production only ☐

Date of addition or adjustment	Description of each unit	Adjustments		Cost of plant less adjustments	Opening written down value	Opening undeducted cost	Disposals				Depreciation			Closing written down value	Closing undeducted cost
		Details	Amount				Date	Termination value	Balancing adjustments: Assessable income	Balancing adjustments: Deductible	Percentage rate or effective life	Prime cost	Diminishing value		
														K	
Totals															
Loss relief offsets against other plant / Deduct for private use															
Amount to be returned as income (Do not deduct from depreciation) / Amount to be claimed as a deduction (Do not include in Total depreciation) / Subtotals									G	H		I	J		

Totals

Total depreciation

Worksheet 2 Low-value pool

For more information refer to the publication *Guide to depreciation*. To find out how to obtain a copy, see the inside back cover. This worksheet has been reduced in size to fit this page.

Primary production only ☐ Non-primary production only ☐

1 Description of low-value plant (LVP)	2 Opening undeducted cost of LVP	3 Assessable income use (%)	4 Reduced cost of LVP (2 x 3)	5 Description of low-cost plant (LCP)	6 Cost of LCP	Adjustment		9 Adjusted cost (6 – 8)	10 Assessable income use (%)	11 Reduced cost of LCP (9 x 10)	Balancing adjustments		
						7 Details	8 Amount				12 Termination value (TV)	13 Assessable income use (%)	14 Reduced TV (12 x 13)

Subtotal ▶ **O**

Add opening balance of low-value pool ▶ **B** **0***

Sum of **O** and **B** ▶ **C**

C x 37.5% ▶ **D**

***Opening balance of low-value pool for 2000–01 is zero.**

Total ▶ **N**

Subtotal ▶ **E**

E x 18.75% ▶ **F**

Depreciation deducted (**F** + **D**) ▶ **G**

Closing balance of low-value pool (**C** + **E** – **G** – **H**) ▶ **P**

Note: If amount at **P** is negative, include that amount in your assessable income as a balancing adjustment.

Sum of reduced termination values ▶ **H**

This will be the low-value pool opening balance for the next tax year.

Worksheet 3 Reconciliation statement

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. 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 39			/		/
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 label **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 Any excess of the tax value of closing stock over the tax value of opening stock					
H Other assessable income not included in the profit and loss statement					
I **Subtotal**	(**F** + **G** + **H**)				

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

		Primary production income $		Non-primary production income $	
J Profit on the sale of fixed assets shown in the accounts					
K Personal services income included in the assessable income of an individual (attributed amount)					
L Other income shown in the profit and loss statement which is not assessable for tax purposes—for example, gross exempt income					
M **Total**	**I** – (**J** + **K** + **L**)		/		/

Note: The net total of the primary production and non-primary production amounts at label **M** must agree with the amount shown at label **A**—**Income reconciliation adjustments** on the *Partnership 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.		
N Depreciation charged in accounts		
O Loss on the sale of fixed assets shown in the accounts		
P 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 personal services income gained other than in the course of conducting a personal services business that are specifically denied under Pt 2-42 of ITAA 1997 • expenses relating to exempt income • other non-deductible expenses		
Q **Subtotal** (**N** + **O** + **P**)		
Expense subtractions: Items not shown as expenses which are deductible for tax purposes		
R Depreciation deducted for tax purposes		
S Tax loss on disposal of depreciable assets		
T Any excess of the tax value of opening stock over the tax value of closing stock		
U Other deductible items for tax purposes (exclude drought investment allowance, that is included at **D** of this worksheet)		
V **Total** **Q** – (**R** + **S** + **T** + **U**)	/	/

Note: The net total of the primary production and non-primary production amounts at label **V** must agree with the amount shown at label **B**—**Expense reconciliation adjustments** on the *Partnership tax return*. Where the net total is a negative amount, print **L** in the box to the right of label **B**.

Worksheet 4 Distribution of income from other partnerships and 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 for tax withheld where ABN not quoted	Share of imputation credit from franked dividends	Total share of TFN amounts withheld from interest and/or dividends
Total									
	00	00	00	00	00	00	Put the total at item 7 label **C**	Put the total at item 7 label **D**	Less withheld TFN amounts already refunded
	Put the total at item 7 label **A**	Put the total at item 7 label **Z**	Put the total at item 7 label **S**	Put the total at item **7** label **B**	Put the total at item 7 label **R**	Put the total at item 7 label **T**			
									Share of net TFN amounts withheld from interest and/or dividends
									Put the total at item 7 label **E**

Worksheet 5 Interest

Who paid the interest	Branch	Account number	Total share of TFN amounts withheld from interest	Amount of interest
		Total **1**		00
		Less withheld TFN amounts already refunded **2**		
		Share of net TFN amounts withheld from interest—take **2** from **1**		

Put the total at item 9 label **J**

Put the total at item 9 label **I**

Worksheet 6 Dividend

Name of company or trust	Unfranked amount	Franked amount	Imputation credit	Total share of TFN amounts withheld from dividends
Total	00	00	00	
	Put the total at item 10 label **K**	Put the total at item 10 label **L**	Put the total at item 10 label **M**	Less TFN amounts withheld already refunded
				Share of net TFN amounts withheld from dividends
				00
				Put the total at item 10 label **N**

Worksheet 7 Distribution of net capital gain from a trust

This worksheet is not used by *Partnership tax return* taxpayers

Worksheet 8 Distribution of foreign income and foreign tax credits

Partner's name	Tax file number	Net foreign income	Foreign tax credit

Appendix 1 Dividends

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 tax offset entitlement for resident shareholders. These dividends are known as franked dividends.

Franked dividends paid to a partnership generally flow through to the partners who are entitled to a tax offset 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 entitlement, is included in the assessable income of the partnership to determine the relevant net income or loss.

Franking credit trading

For the imputation credits to flow through to the partners, both they and the partnership must be qualified persons in relation to the dividend.

Qualified person

To be a qualified person in relation to a dividend, a taxpayer must hold the shares, or an interest in the shares, at risk for 45 days—90 days for certain preference shares—and not have an obligation to make a related payment in respect to the dividend. To hold the shares at risk the taxpayer must have at least 30 per cent of the risks of loss and opportunities for gain associated with the shares. The holding period rule and the related payments rule are contained in Division 1A of Part IIIAA of ITAA 1936.

The holding period rule applies to shares acquired on or after 1 July 1997—unless acquired under a contract entered into before 7.30 p.m. AEST on 13 May 1997—and the related payments rule applies to arrangements entered into after 7.30 p.m. AEST on 13 May 1997.

General anti-avoidance rule

Section 177EA of ITAA 1936 is a general anti-avoidance rule against franking credit trading and streaming that applies where one of the purposes—other than an incidental purpose—is to obtain a tax advantage in relation to franking credits. This rule, which was introduced by the *Taxation Laws Amendment Act (No 3) 1998*, applies to dividends or distributions paid after 7.30 p.m. AEST on 13 May 1997, under certain arrangements having the requisite purpose.

For more information see the publication *You and your shares*. To find out how to obtain a copy, see the inside back cover.

Imputation credit

The imputation credit is shown at:

- item 10—**Dividends**, label **M**—**Imputation credit**, if received directly from a paying company
- item 7—**Partnerships and trusts**, label **D** —**Share of imputation credit from franked dividends**, when received indirectly through another partnership or a trust.

Do not show the imputation credit if the partner was not a qualified person—see above—in relation to the dividend.

Expenses claimed against earning dividend income are shown at item 13—**Deductions relating to Australian investment income**.

The share of the partnership net income or loss distributed to a resident individual partner is included in the partner's own 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 tax offset equal to their share of the imputation credits attached to the franked dividends, undiminished by the expenses of the partnership. For the imputation credits to flow to the partner, both the partner and the partnership must satisfy the holding period and related payment rules.

A partner that 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. For the imputation credits to flow to the partner, both the partner and the partnership must satisfy the holding period and related payment rules. 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 tax offset 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 allowable 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 obtain 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.

Share traders

Share traders who operated as a partnership and received dividends during the income year show these at item 10—**Dividends**.

Exempt dividends

Keep supporting records if the partnership 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. For more information see page 8.

Foreign source dividends

Foreign source dividends are not subject to the imputation rules, however they are included in the assessable income of the partnership. If the partnership receives foreign source dividends, include these amounts at item 19—**Other assessable foreign source income**.

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* 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 to the tax return** see page 6.

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, trademark 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 1a, 1b 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.
6. The use or the right to use capacity covered by a spectrum licence under the *Radio Communications Act 1992*.
7. 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. To find out how to obtain more information, see the inside back cover.

For more information on the definition of royalty refer to *Taxation Ruling IT 2660*. To find out how to obtain a copy, see the inside back cover.

Record retention—If the partnership claims a deduction for royalties paid or credited keep a record of 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, and the interest is claimed at item 4 —**Expenses**, **Total interest expense** the amount of the reduction is shown at item 4 —**Reconciliation items**.

Where the interest expense relates to rental income or Australian investment income, deduct the amount of the reduction from the foreign debt interest payable during the year.

The resulting amount is claimed at:

- item 8—**Rent**, label **G**—**Interest deductions** or
- item 13—**Deductions relating to Australian investment income**, label **P**.

The full amount of the interest expense is shown at item 44—**Interest expenses overseas**.

In addition, the question at item 25—**Overseas transactions**, label **W** is answered **Y** for yes if the partnership claimed a deduction for interest payable on foreign debt—see page 27. If that is the case, complete item 8 of **Section A** of S*chedule 25A* and attach it to the *Partnership tax return*.

Thin capitalisation rules

The thin capitalisation provisions—contained in Division 16F of Part III of ITAA 1936—apply to resident partnerships that are foreign controlled and to foreign partners of Australian partnerships.

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 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
- 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
- the non-resident is capable, under a scheme, of gaining such control or such an interest
- the partners, or other partners, in a partnership 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 any chain of interposed companies, partnerships or trusts to determine whether a non-resident is a foreign controller of the partnership.

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 the thin capitalisation provisions affect a foreign investor, 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.

Foreign debt

Foreign debt is the balance outstanding on any interest-bearing debt—from non-arm's length sources owing by the partnership, 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 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 of any income year.
- 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 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. 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. Under the formula the maximum total interests in a partnership 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 may be different to their fixed interests in the assets of the partnership. Accordingly, under the formula the maximum total interests of foreign controllers are halved.

Under the formula a partnership 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 below. 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 the fraction is 1:2.

The partnership then determines the proportion of net income or loss that 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. 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 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.

Determination of a partnership's balance sheet

To determine the foreign equity of a partnership, a notional balance sheet is prepared at the end of the income year. The foreign equity of a partnership 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 by foreign controllers or their non-resident associates, other than amounts owing in respect of short-term trade credit.

Asset revaluation reserves for partnerships

In preparing a notional balance sheet for the purpose of the foreign equity calculations, a partnership is allowed to revalue assets of the partnership. Credits to an asset revaluation reserve may only be included at the beginning of an income year, based on re-evaluations undertaken in the previous income year.

A partnership 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 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. For example, if a partnership'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 partnership's asset revaluation reserves are to be reduced to $5000.

Foreign equity product

Foreign equity product is the amount ascertained by multiplying by 2 the foreign equity of the partnership.

Special provisions

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, keep a record of 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 following formula.

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 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

E the amount by which the greatest total foreign debt of the partnership at any time during the income year exceeds the foreign equity product

D amount of foreign debt referred to in **E**.

The amount resulting from the application of the formula represents the amount of interest on related foreign party debt, which is not allowable as a deduction.

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 is affected by the thin capitalisation provisions see the inside back cover.

Additional information relating to thin capitalisation is available in the *Schedule 25A instructions.* To find out how to obtain a copy, see the inside back cover.

Appendix 4 Commercial debt forgiveness

Generally, if a commercial debt owed by a partnership 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 CGT 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 partnership'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 partnership's creditor to the partnership's associate or to another person with the partnership'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 partnership was solvent at the time the debt was incurred and the partnership'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 for the forgiveness. This consideration normally is the sum of the amounts of money the partnership is required to pay for the forgiveness or, if property is required to be given, the market value of the property. Special rules apply in determining the consideration given in respect 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 partnership's assessable income
  - by which a deduction otherwise allowable to the partnership has been or will be reduced or
  - by which the cost base to the partnership of any CGT 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 partnership's:

- deductible revenue losses
- deductible net capital losses
- deductible expenditure and
- cost bases of certain CGT assets.

The partnership 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 52 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 partnership 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 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 out
- 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 a 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 partnership —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 partnership 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 CGT assets owned by the partnership at the beginning of the forgiveness year—referred to as reducible assets—are the final category of amounts that may be reduced by the partnership's total net forgiven amount. Essentially, these are assets where a capital gain or capital loss might arise on a CGT event, such as a disposal, happening to them.

Therefore assets not treated as reducible assets include those for which a capital gain or capital loss will not or is unlikely to arise on a CGT event happening to them—for example, CGT assets acquired before 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 partnership may choose the reducible assets whose cost bases are to be reduced and the extent of that reduction. However, the cost base of reducible assets that constitute investments in associates of the partnership must be reduced last.

When a partnership chooses to apply an amount in reduction of the relevant cost bases of a particular reducible asset, then at any time after the beginning of the forgiveness income year, each of the relevant cost bases—that is, the cost base or reduced cost base—is taken to be reduced accordingly.

Ordinarily, the reduction of a CGT asset's relevant 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 a CGT asset affects the calculation of the amount of the capital gain or capital loss on a CGT event happening to the nominated reducible asset because the relevant cost base that is taken into account in determining the capital gain or capital loss must reflect that reduction.

Special rules

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.

Appendix 5 Special concessions and other tax offsets

General mining, petroleum mining and quarrying

Expenditure incurred in:

- carrying on eligible mining—including petroleum mining—or quarrying operations
- proposing to carry on such operations
- carrying on a business that includes exploration or prospecting for minerals or quarry materials
- transporting the product of those operations
- rehabilitating the mine or quarry site.

For more information refer to *Taxation Ruling TR 98/23*. To find out how to obtain a copy, see the inside back cover.

The partnership can also write-off allowable capital expenditure. The deduction is calculated 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.

The partnership can deduct capital expenditure on a facility used 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.

The partnership 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 obtain a copy, see the inside back cover.

Capital works deductions

The capital works deduction 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 deducting 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 8 on page 58.

Deductions for construction costs and structural improvements to residential rental properties must be based on actual costs incurred. If it is not possible to genuinely determine the actual costs, provide an estimate by a quantity surveyor or other independent qualified person. The costs incurred by the partnership for the provision of this estimate are deductible as a tax related expense, not as an expense in gaining or producing assessable income.

Who can claim?

The partnership can only claim a deduction under Division 43 for an income year if you:

- own, lease or hold part of a construction expenditure area of capital works
- incurred the expense and
- 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

The partnersip 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

The partnership 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

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 obtain 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

The partnership can only claim 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—for example, construction or repairs 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
- 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 hotels 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 per cent 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 obtain a copy, see the inside back cover.

Heritage conservation tax offset

A 20 per cent tax offset on approved heritage conservation expenditure is available to the partners where a final certificate has been issued to a partnership specifying an amount of eligible heritage conservation works expenditure and the partnership has a net income.

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 tax offset 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 disposes 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
- the expiration of the period or
- the issue of the final certificate.

The tax offset 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 tax offset 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 tax offset of tax in the partner's own 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 tax offset is allowable to the partners.

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 offset of 34 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 tax offset 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 for 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 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 11—**Other Australian Income**.

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 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. Any deductions are claimed at item 14—**Other deductions**.

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.

Capital gains tax consequences

There may be CGT consequences if there is a CGT event—for example, a disposal—in relation to CGT assets, which are expressed, in foreign currency.

Note: Foreign currency is itself a CGT asset for capital gains purposes.

Record retention—If the partnership is claiming a foreign exchange loss, keep a record of the following:

- the date the partnership 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 Environmental 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 assessment is not written-off under this provision, but are written-off under the ordinary depreciation provisions.
- A deduction under this provision is not available where the cost of an environmental impact assessment is allowable under any other provision—for example, mining and quarrying companies can claim an outright deduction for many environmental impact assessments under the exploration or prospecting provisions.
- The deduction cannot be transferred to another taxpayer if the project to which the assessment relates, is sold or ceases. The deduction remains with the taxpayer that 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 Environmental 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 partnership 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 taken into account 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 are deductible 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 7

A study is carried out to determine the quantity and type of pollutants, which are produced from a process, used in a proposed business that qualifies as 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 at the rate of 2.5 per cent per annum under Division 43 of the ITAA 1997 which relates to deductions for capital works expenditure. 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 capital work. 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 own 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 obtain 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 the publication *Australian film industry incentives.* To find out how to obtain 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 own 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.

Farm Management Deposits Scheme

Farm Management Deposits (FMD) scheme, which commenced on 2 January 1999, replaces the Income equalisation deposits (IED)/ Farm management bond (FMB) schemes 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, the primary producer is assessed on the withdrawal up to the amount of the deduction claimed when the monies were deposited. Refer to Division 393 of Schedule 2G to ITAA 1936.

Partnerships that carry on a business of primary production are not entitled to a deduction for monies placed into FMDs. However deductions for FMDs are allowable to partners—other than companies—in partnership that carry on a business of primary production in Australia.

Partners cannot claim a FMD deduction for an amount that exceeds their deposits, or their taxable primary production income in the 2000–01 income year, whichever is the lesser. Also partners cannot claim a deduction for any FMDs if their taxable non-primary production income for the 2000–01 income year is more than $50 000. The maximum amount that can be held at any time in FMDs is $300 000.

For more information on FMDs:

- contact your financial institution—for FMD interest rates, etc
- phone the Department of Agriculture, Fisheries and Forestry Australia on 1800 808 869
- refer to the publication *Information for primary producers*. To find out how to obtain 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 obtain a copy, see the inside back cover.

From 1 July 2000 new rules relating to deferral of non-commercial business losses apply to individuals. These new rules require a partner who is an individual to defer the deduction for their share of a loss from a business activity of the partnership unless the individual is covered by an exception, or the business activity satisfies one of 4 tests or the Commissioner exercises his discretion. For more information on these new rules refer to item 15 —**Deferred non-commercial business losses** in *TaxPack Supplement* and the publication *Non-commercial losses: partnerships*. To find out how to obtain a copy of these publications, 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 instructions* at Appendix 4. To find out how to obtain a copy, see the inside back cover.

Note: R&D tax concession changes were announced in the Government's Innovation Statement on 29 January 2001 and in the Federal Budget 2000–01. At the time of publication legislation to effect these changes has not been introduced into Parliament. For more information refer to the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

Superannuation

For information on claiming a deduction for personal superannuation contributions refer to *TaxPack Supplement*. To find out how to obtain a copy, see the inside back cover.

Appendix 10 ATO locations and where to lodge your tax return

Below are our street addresses, and mailing addresses for lodgment of your *Partnership tax return* and any other correspondence. If an *Interposed entity election* is attached to the *Partnership tax return*, send the tax return and the election to the address on page 7.

If you have an enquiry, we can usually assist you faster by telephone. The inside back page 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
ATO*access*
Ground floor
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
ATO*access*
280 Adelaide Street
Brisbane
PO Box 9990 Chermside 4032

Chermside
ATO*access*
766 Gympie Road
Chermside
PO Box 9990 Chermside 4032

Townsville
ATO*access*
Stanley Place
235 Stanley Street
Townsville
PO Box 9990 Townsville 4810

Upper Mt Gravatt
2221–2233 Logan Road
Upper Mt Gravatt
PO Box 9990 Chermside 4032

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

Cannington
48-54 Grose Avenue
Cannington
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 5001

Darwin
ATO*access*
Cnr Mitchell & Briggs Streets
Darwin
GPO Box 800 Adelaide 5001

South Australia

Adelaide
91 Waymouth Street
Adelaide
GPO Box 800 Adelaide 5001

Glossary

AAT	Administrative Appeals Tribunal
ABN	Australian Business Number
ABS	Australian Bureau of Statistics
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)
ATO	Australian Taxation Office
BAS	Business Activity Statement
CGT	capital gains tax
Commissioner	Commissioner of Taxation
DDR	Direct Debit Request
DIA	drought investment allowance
ELS	electronic lodgement service
esp	eligible service period
FIF	foreign investment fund
FLIC	Film Licensed Investment Company
FLP	foreign life assurance policy
FMB	Farm management bond
FMD	Farm Management Deposits
FTD	family trust distribution
FTP	File Transfer Protocol
GST	goods and services tax
IED	Income equalisation deposits
ITAA	*Income Tax Assessment Act*
PAYG	Pay as you go
PPS	prescribed payment system
PSI	personal services income
R&D	research and development
RSA	retirement savings account
SHAR	Superannuation Holding Accounts Reserve
TFN	tax file number
Trust Loss Act	*Taxation Laws Amendment (Trust Loss and Other Deductions) Act 1998*
UBNT	ultimate beneficiary non-disclosure tax
www	world wide web

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
IT 2346	Income tax : bonuses paid on certain life assurance policies – section 26AH – interpretation and operation
IT 2592	Income tax : cost 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?
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 94/8	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: deductability of expenditure incurred on tailings dams or similar mining residue, waste storage or disposal facilities
TR 2000/18	Income tax: depreciation effective life

Your Helplines for further information

Publications, taxation rulings, forms and enquiries are available through the following services:

Tax agents please use the following numbers:

ATOPOS web address **www.iOrder.com.au/ato**
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:

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 ATO staff. Your tax questions cannot be answered on this number.

Internet site—ATOassist

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.

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.

Superannuation enquiries—13 1020

For assistance with all your superannuation enquiries.

General business including payment and lodgment—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.
If you are unsure whether you need to lodge a return or you want to know where or when to lodge a return.
If you need information on the ABN, how to apply for one or assistance in completing an application.

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.

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 3677

If you have access to appropriate TTY or modem equipment, contact the Australian Communication Exchange National Relay Service on **1300 130 478**. You will need to quote one of the helplines listed on this page. The relay service will then connect you with a tax officer.