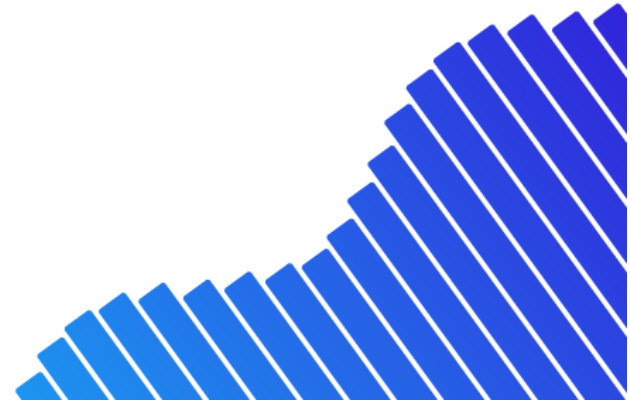


Company Tax Time checklist 2023

Written by The Tax Institute's Tax Policy and Advocacy Team

Correct as of 20 July 2023



Introduction

There is a lot to navigate this compliance season in preparing your clients' company tax returns (CTR). This year presents particular challenges for practitioners. Several measures announced some time ago have recently been enacted. This provides taxpayers with certainty over their tax affairs, however a long list of announced but unenacted measures remains.

To assist practitioners in preparing the 2023 CTR, we have prepared a series of checklists that highlight key changes and commonly overlooked provisions.

IMPORTANT

These checklists do not contain a comprehensive or exhaustive list of issues you need to consider for your clients when preparing their 2023 CTR. Nor do they purport to serve as a complete set of instructions in how to complete every label of the company tax return form.

These checklists serve as a guide to a range of issues that should be considered when preparing CTRs. They do not constitute advice, nor do they provide a detailed explanation of whether a taxpayer may be eligible for a deduction or a tax concession, or whether the relevant conditions for a provision or administrative approach apply or do not apply. There may be other considerations that should be taken into account in determining your clients' tax outcomes.

Contents

	Page
Introduction	1
Record-keeping requirements.....	2
Overview of key changes.....	5
Checklists.....	8
Company status.....	8
Income and expenses	12
Expenses.....	16

Tax reconciliation and adjustments	20
Capital allowances	23
Other information	25
Conclusion	36
Considerations for your practice.....	36
ATO resources	36
2022-23 tax rates and thresholds.....	36
Final thoughts	37
Abbreviations and acronyms	37
Legislative abbreviations.....	37
Acronyms and other abbreviations	38
Further guidance and information	39

Record-keeping requirements

If a company carries on a business, it must retain records that evidence and explain all transactions and other actions that are relevant for tax purposes.

[Subsection 262A\(2\)](#) of the ITAA 1936 prescribes that the records retained include:

- any documents relevant for the purpose of ascertaining a taxpayer's income or expenditure; and
- documents containing particulars of any election, estimate, determination or calculation made by the taxpayer for tax purposes. 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.

Records for financial arrangements covered by the taxation of financial arrangements (TOFA) rules must be kept, even if the company is not carrying on a business in relation to those arrangements.

Generally, all relevant records must be:

- kept for five years after they were prepared or obtained, or five years after the completion of the transactions or acts to which they relate, whichever is the later (this period may be extended in certain circumstances); and
- in writing and in English – records may be retained electronically as long as the records are in a form the ATO can access and understand to ascertain the tax liability.

More information on record keeping can be found in [TR 96/7](#) and [TR 2018/2](#).

Records to prepare

A company should prepare and keep the following documents:

- a statement of financial position;
- a detailed operating statement;
- livestock and produce accounts for primary producers;
- notices and elections;
- documents containing particulars of any estimate, determination or calculation made for the purpose of preparing the tax return, together with details of the basis and method used in arriving at the amounts on the tax return; and
- a statement describing and listing the accounting systems and records, for example, chart of accounts, that are kept manually and electronically.

Other documents that may be requested if a company is audited or reviewed include:

- a list and description of the main financial products that were used by the company to finance or manage its business activities during the income year; and
- for companies that have entered into transactions with associated entities overseas:
 - an organisational chart of the company group structure; and
 - all documents, including worksheets, that explain the nature and terms of the transactions entered into.

Consolidated or MEC groups

A head company of a consolidated or multiple entry consolidated (**MEC**) group must retain additional records, in particular documents pertaining to:

- the choice in writing to form a consolidated group or MEC group;
- the process of forming the group;
- subsidiary members entering and/or exiting the group;
- events that result in an entity no longer being eligible to be a head company or provisional head company;
- consolidation eliminations or adjustments to derive the income tax outcome for the head company of the group; and
- an estimate, determination or calculation and allocation processes made under the consolidation regime.

More information about record keeping requirements for consolidated groups can be found on **sheet C9-2** in the ATO's [Consolidation reference manual](#).

Recording the choice of superannuation fund

A company that has employees must keep records to show that it has met its employer obligations about the choice of superannuation fund by its employees.

More information can be found on the ATO website [here](#).

Keeping records for capital gains tax

A company must keep records of everything that affects its capital gains and losses for at least five years after the relevant CGT event.

If a company carries forward a net capital loss, records should generally be kept of the CGT event that resulted in the loss for five years from the income year in which the loss was made, or four years from the date of assessment for the income year in which the capital loss is fully applied against capital gains, whichever is the longer.

More information can be found in the ATO's [guide to capital gains tax 2023](#) and [TD 2007/2](#).

Uniform capital allowances and depreciation claims

Records of depreciating assets should be kept as long as the company retains the asset, and then for a further five years after the asset is sold or disposed of. Different time periods and requirements apply if the depreciating asset is:

- allocated to a low-value pool; or
- subject to rollover relief.

Failure to provide records when requested in a review or audit may lead to record keeping penalties. More information can be found on the ATO website [here](#).

Record keeping for tax losses

Where a company incurs a tax loss, it may need to keep records longer than five years from the date on which the loss was incurred. Generally, tax losses incurred can be carried forward indefinitely until they are applied by recoupment or, in very limited circumstances, transferred to another group company.

When applied, the loss amount impacts the calculation of the company's taxable income in that income year. The company should keep records substantiating the ascertainment of that year's tax losses until the end of the amendment period for the assessment in which the applied losses are applied.

More information can be found in [TD 2007/2](#).

Record keeping for overseas transactions and interests

Records of any overseas transactions in which the company is involved (directly or indirectly), or has an interest (vested or contingent), during the income year should be retained.

This includes cases where the company has direct or indirect control of:

- any income from sources outside Australia not disclosed elsewhere on the tax return; or
- any property, including money, situated outside Australia – where this is the case, the following records should be retained:
 - the location and nature of the property;
 - the name and address of any partnership, trust, business, company or other entity in which the company has an interest; and
 - the nature of the interest.

Where an overseas interest was created by exercising any power of appointment, or if the company had an ability to control or achieve control of overseas income or property, the following records should be retained:

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

More information can be found on the ATO website [here](#).

Overview of key changes

Small business boosts

Eligible small businesses with an aggregated turnover of less than \$50 million can claim a bonus deduction of 20% for eligible expenditure on:

- external training courses (**skills and training boost**)¹; and
- digital technology, capped at \$100,000 of expenditure per annum (**technology investment boost**)² – this includes business expenses and depreciating assets that support their digital adoption, such as portable payment devices, cyber security systems or subscriptions to cloud based services.

See **page 22** for more information.

¹ Given effect by Schedule 4 to the [Treasury Laws Amendment \(2022 Measures No. 4\) Act 2023](#).

² Given effect by Schedule 5 to the [Treasury Laws Amendment \(2022 Measures No. 4\) Act 2023](#).

Franked distributions funded by capital raising

Distributions made after 15 September 2022 are proposed to be subject to an integrity measure that will prevent certain distributions that are funded by capital raisings from being frankable.³ Broadly, it is currently proposed that a distribution will be funded by equity raising if:

- the distribution is not consistent with an established practice of the entity of making distributions of that kind on a regular basis;
- there has been an issue of equity interests in the entity or another entity; and
- it is reasonable to conclude in the circumstances that:
 - the principal effect of the issue of any of the equity interests was to directly or indirectly fund some or all of the distribution; and
 - any entity that issued or facilitated the issue of any of the equity interests did so for a purpose of funding the distribution or part of the distribution.

This measure is not yet law and may be subject to changes.⁴

More information can be found on the ATO website [here](#).

Off-market share buy backs

The tax treatment for shareholders that participate in off-market share buy-backs undertaken by listed public companies is proposed to be aligned with the tax treatment currently applied to on-market share buy-backs.⁵ The legislative changes are proposed to apply to:

- buy-backs undertaken by listed public companies that are first announced to the market after 7:30pm AEST on 25 October 2022; and
- selective cancellations undertaken by listed public companies that are first announced to the market on or after 16 February 2023.

This measure is not yet law.

Tax practitioners should note that any amounts entered at **label 8J** *Franked dividends paid* or **label 8K** *Unfranked dividends paid* may be impacted once the changes become law.

More information can be found on the ATO website [here](#).

³ See Schedule 5 to the [Treasury Laws Amendment \(2023 Measures No. 1\) Bill 2023](#).

⁴ On 9 March 2023, the Senate referred the provisions of the Treasury Laws Amendment (2023 Measures No. 1) Bill 2023 to the Senate Economics Legislation Committee for inquiry and report. The final report recommended that Government make changes to this measure so it better reflects the intended policy outcome.

⁵ See Schedule 4 to the [Treasury Laws Amendment \(2023 Measures No. 1\) Bill 2023](#).

Digital games tax offset

From 1 July 2022, a tax rebate will be available for qualifying expenditure incurred in developing digital games in Australia. The amount of the offset is 30% of a company's total 'qualifying Australian development expenditure' as determined by the Minister for the Arts.

The maximum amount of the offset that can be claimed is \$20 million in an income year. The maximum amount applies not only to a company but also extends to any other company that is connected with, or is an affiliate of, the company. The head company of a consolidated group claims the offset for the group for the relevant income year.

More information can be found on the ATO website [here](#).

Offshore banking unit (OBU) regime

The concessional tax treatment for OBUs will be removed from the commencement of the OBU's 2023–24 income year. The interest withholding tax exemption for OBUs will also be removed for interest paid on or after 1 January 2024.

More information can be found on the ATO website [here](#).

Interest on early payments

From 1 July 2021, interest on early payments will be automated for eligible early payments. As a result, **label H1 Credit for interest on early payments – amount of interest** will be removed from the CTR from the 2022–23 income year onwards.

New items in the 2023 company tax return

In the 2023 CTR, the following new labels have been added:

- **Item 7 Reconciliation to taxable income or loss:**
 - **Label 7J Small business skills and training boost;**
 - **Label 7L Small business technology investment boost; and**
- **Item 13 Losses information** – 9 labels for loss carry back of tax losses 2022–23 carried back.

Removed items in the 2023 company tax return


In the 2023 CTR, the following labels have been removed at the **Calculation statement**:



- **Label M R&D recoupment tax;** and
- **Label H1 Credit on interest for early payments – amount of interest.**



Checklists

Company status

Description	Tax return item Reference	
<p>Company residency</p> <p>A company is a resident of Australia if:</p> <ul style="list-style-type: none"> it is incorporated in Australia, or although not incorporated in Australia, it carries on business in Australia and has either its: <ul style="list-style-type: none"> central management and control in Australia; or voting power controlled by shareholders who are residents of Australia. <p>Non-resident companies with no permanent establishment should tick label C2.</p> <p>NOTE</p> <p>Residency status is not required if label D7 Corporate unit trust or label D8 Public trading trust are selected.</p>	<p>C1 Resident</p> <p>C3 Non-resident with permanent establishment</p> <p>TR 2018/5</p> <p>PCG 2018/9</p> <p>C2 Non-resident no permanent establishment</p>	<input type="checkbox"/>
<p>Small business entity (SBE)</p> <p>A company will be an SBE in the income year if:</p> <ul style="list-style-type: none"> it carries on a business in the current year; and one or both applies: <ul style="list-style-type: none"> its aggregated turnover for the previous year was less than \$10 million; or its aggregated turnover for the current year is likely to be less than \$10 million. <p>NOTE</p> <p>Companies that would be SBEs if the aggregated turnover threshold was \$50 million are also eligible for an immediate deduction for certain prepaid expenses and certain start-up expenses.</p> <p>More information can be found on the ATO website here.</p>	<p>F1 Small business entity</p> <p>Section 238-110 of the ITAA 1997</p>	<input type="checkbox"/>


Description	Tax return item Reference	
<p>Base rate entity (BRE)</p> <p>A company is a BRE for 2022–23 if:</p> <ul style="list-style-type: none"> its aggregated turnover for 2022–23 is less than \$50 million; no more than 80% of its income is BRE passive income – this income includes: <ul style="list-style-type: none"> dividends other than non-portfolio dividends; franking credits on such dividends; non-share dividends; interest income (some exceptions apply); royalties and rent; gains on qualifying securities; net capital gains; and income from trusts or partnerships to the extent it is referable (either directly or indirectly) to an amount that is otherwise base rate entity passive income. <p>For 2022–23, the company’s corporate tax rate for imputation purposes may be either 25% or 30%, depending on the company’s circumstances.</p> <p>NOTE</p> <p>A company can be both an SBE and a BRE.</p> <p>More information can be found in LCR 2019/5 and on the ATO website here.</p>	<p>F2 Base rate entity</p> <p>Sections 23AA and 23AB of the ITRA</p> <p>LCR 2019/5</p>	


Description	Tax return item Reference	
<p>Status of company – Significant global entity (SGE)</p> <p>Generally, a company will be an SGE for the income year where any of the following conditions apply:</p> <ul style="list-style-type: none"> it is a global parent entity (GPE) with an annual global income of A\$1 billion or more; a member of a group of entities consolidated for accounting purposes, and one of the other group members is a GPE with an annual global income of A\$1 billion or more; or a member of a notional listed company group and one of the other group members is a GPE with an annual global income of A\$1 billion or more. <p>NOTE</p> <p>An entity may also be considered an SGE where the following conditions are met:</p> <ul style="list-style-type: none"> the entity is a GPE or a member of an actual or notional accounting consolidated group that includes a GPE; the GPE has been notified by that the Commissioner has determined the GPEs annual global income would have been A\$1 billion or more for the period had global financial statements been prepared. <p>More information can be found on the ATO website here.</p>	<p>Section 960-555 of the ITAA 1997</p> <p>3G1 Significant global entity</p>	
<p>Interposed entity election (IEE) status</p> <p>Item 4 <i>Interposed entity election status</i> will need to be completed if the company:</p> <ul style="list-style-type: none"> is making one or more IEEs in accordance with section 272-85 of Schedule 2F to the ITAA 1936; has previously made one or more IEEs; or is revoking one of more previously made IEEs in accordance with section 272-85 of Schedule 2F to the ITAA 1936. <p>More information about IEEs or revocations can be found on the ATO website here.</p>	<p>4 Interposed entity election status</p> <p>Section 272-85 in Schedule 2F to the ITAA 1936</p>	



Description	Tax return item Reference	
<p>Country by country (CBC) reporting entity</p> <p>A company be a CBC reporting entity if it is:</p> <ul style="list-style-type: none"> • a CBC reporting parent; or • a member of a CBC reporting group, and one of the other group members is a CBC reporting parent with an annual global income of A\$1 billion or more. <p>A CBC reporting group may be a group that is consolidated for accounting purposes as a single group or a notional listed company group. If a company is a CBC reporting entity for an income year, it may have CBC reporting and General Purpose Financial Statement obligations.</p> <p>CBC reporting entities must complete item 5 in the CTR.</p> <p>More information can be found on the ATO website here.</p>	<p>3G2 Country by country reporting entity</p> <p>Sections 815-370, 815-375 and 815-380 of the ITAA 1997</p> <p>5 Country by country reporting entity</p>	
<p>Consolidated entity</p> <p>If the company is lodging the CTR as a head company for a consolidated or MEC group, print X in the box at Z1 Consolidated head company. Print X in all other boxes that apply in item 3 Status of the company.</p> <div data-bbox="165 1272 1027 1518" style="background-color: #e6e6fa; padding: 10px;"> <p>TRAP</p> <p>Printing X at label Z1 in the CTR does not meet the requirement to notify the Commissioner that a valid choice in writing to form a consolidated or MEC group. The appropriate needs to be completed for valid notice.</p> </div> <p>If the company is a subsidiary member of a consolidated or MEC group and is lodging a tax return because it had a period during the income year when it was not a member of a consolidated group (a non-membership period), print X in the box at label Z2 Consolidated subsidiary member.</p>	<p>Z1 Consolidated head company</p> <p>Z2 Consolidated subsidiary member</p>	



Description	Tax return item Reference	
<p>(continued ...)</p> <p>NOTE</p> <p>If a subsidiary member of a consolidated or MEC group must lodge a CTR for any non-membership periods during the year of income, the company must complete all relevant schedules for the non-membership periods.</p> <p>More information can be found on the ATO website here.</p>		



Income and expenses

Description	Tax return item Reference	
<p>Foreign resident withholding</p> <p>If the company had amounts withheld from it because it was a foreign resident during the current income year, the relevant amounts of foreign resident withholding tax should be reported at the following labels:</p> <ul style="list-style-type: none"> ● Label 6B <i>Gross payments subject to foreign resident withholding (excluding capital gains)</i> – the amount should be grossed up for any foreign resident withholding on relevant payments. ● Label H2 <i>Credit for tax withheld – foreign resident withholding (excluding capital gains)</i> (in the Calculation statement) – the amount of foreign resident withholding should be disclosed at this label (excluding foreign resident withholding on capital gains). <p>More information can be found on the ATO website here.</p>	<p>6B Gross payments subject to foreign resident withholding (excluding capital gains)</p> <p>H2 Credit for tax withheld – foreign resident withholding (excluding capital gains) (in the Calculation Statement)</p>	


Description	Tax return item Reference	
<p>Gross distributions from partnerships</p> <p>Include at label 6D the gross distributions from all partnerships, including any share of franking credits attributable to dividends paid by an Australian company. These amounts should include:</p> <ul style="list-style-type: none"> any amounts subject to foreign resident withholding in Australia that were distributed to the company from a partnership; and the company's share of credit from foreign resident withholding. <p>Substantiation</p> <p>Companies will be required to keep a record of the following:</p> <ul style="list-style-type: none"> full name of the partnership; TFN of the partnership (if known); amount of income; and deductible expenses relating to the amount of income that were not claimed in the Partnership tax return but are claimed on the CTR. <p>NOTE</p> <p>Special rules apply for stapled structures, consolidated and MEC group.</p> <p>More information can be found on the ATO website here.</p>	<p>6D Gross distribution from partnerships</p>	



Description	Tax return item Reference	
<p>Gross distributions from trusts</p> <p>Include at label 6E the total amount of gross distributions received from trusts, including any share of franking credits attributable to dividends paid by an Australian company (as advised by the trustee).</p> <p>To the extent that family trust distribution tax (FTDT) has been paid on income or capital of a trust to which the company is presently entitled or which has been distributed to the company, that income or capital is excluded from the assessable income of the company under section 271-105 of Schedule 2F to the ITAA 1936.</p> <p>The CODE box must include the relevant code that best describes the type of trust from which the distribution was received.</p> <p>More information, including the relevant codes, can be found here.</p>	<p>6E Gross distribution from partnerships</p> <p>Section 271-105 of Schedule 2F to the ITAA 1936</p>	
<p>Disclosure of capital gains</p> <p>Where the company made a net capital gain during the income year, the amount should be included as an add-back adjustment at label 7A Net capital gain.</p> <p>Where any capital gains have been recognised in the company's accounts and included in any of the labels under item 6, the relevant amounts should be reported as a subtraction adjustment at label 7Q Other income not included in assessable income.</p> <p>The company will also need to complete and attach a CGT schedule to the tax return where it had net capital gains or losses of \$10,000 or more in the current income year.</p> <p>More information can be found on the ATO website here.</p>	<p>7A Net capital gain</p> <p>7Q Other income not included in assessable income</p>	



Description	Tax return item Reference	
<p>Disclosure of foreign income</p> <p>Where the company derived foreign income during the current income year, such amounts should be included at label 8G Gross foreign income and label 8R Net foreign income.</p> <p>The amount reported at label 8R includes all foreign-sourced income (including capital gains) before applying any deductions or losses. These amounts should be grossed up for any foreign taxes withheld or paid at source.</p> <p>Amounts that should be included at label 8R include the following:</p> <ul style="list-style-type: none"> foreign source capital gains, after offsetting any unapplied capital losses; assessable dividends paid by a New Zealand company; and income attributable to a dividend from a New Zealand company received from a partnership or trust. <p>Any amounts of attributed foreign income from a controlled foreign company (CFC) should not be reported at these labels. They should instead be reported at labels 8B, 8U and 8V.</p>	<p>8G Gross foreign income</p> <p>8R Net foreign income</p>	
<p>Foreign income tax offsets (FITOs)</p> <p>Where the company derived foreign income during the income year, and foreign taxes were withheld or paid at source on such amounts, the company may be entitled to claim FITOs in respect of the tax paid.</p> <p>As FITOs may only be claimed when the foreign tax has actually been paid, there may be instances where the foreign taxes are paid at a later period to when the foreign income was initially derived. As such, there may be a mismatch between the income year in which a FITO may be claimed and the income year in which the relevant foreign income was derived for Australian tax purposes.</p> <p>The company will need to calculate its FITO limit for the current income year if it is claiming FITOs of \$1,000 or more.</p> <p>More information can be found on the ATO website here.</p>	<p>20J Foreign income tax offset</p> <p>Sections 770-70 and 770-75 of the ITAA 1997</p>	


Description	Tax return item Reference	
<p>Foreign resident capital gains withholding</p> <p>Where the company had amounts withheld from capital gains it made because it was a foreign resident during the current income year, such amounts should be reported at the following labels:</p> <ul style="list-style-type: none"> ● Label 7A <i>Net capital gain</i> – the amount disclosed at this label should be grossed-up to include the amount of any foreign resident withholding on capital gains. ● Label H8 <i>Credit for foreign resident capital gains withholding amounts</i> – the amounts withheld from such payments relating to capital gains should be reported at this label. 	<p>7A Net capital gain</p> <p>H8 Credit for foreign resident capital gains withholding amounts (in the Calculation statement)</p>	
<p>FBT employee contributions</p> <p>Employee contributions form part of the employer's or associate's assessable income if employees make payments for fringe benefits that they have received.</p> <p>Include at label 6I <i>Fringe benefit employee contributions</i> all payments that the company has received from recipients of fringe benefits. These amounts are GST-exclusive amounts.</p>	<p>6I Fringe benefit employee contributions</p>	


Expenses

Description	Tax return item Reference	
<p>Foreign resident withholding expenses</p> <p>A company should complete label 6B <i>Foreign resident withholding expenses</i> only if it was a foreign resident during the income year. This label includes expenses the company incurred in deriving income that was subject to foreign resident withholding tax.</p> <p>Income that is subject to foreign resident withholding are those payments disclosed at the following income labels:</p> <ul style="list-style-type: none"> ● Label 6B <i>Gross payments subject to foreign resident withholding;</i> ● Label 6D <i>Gross distribution from partnerships; and</i> ● Label 6E <i>Gross distribution from trusts.</i> 	<p>6B Foreign resident withholding expenses</p>	


Description	Tax return item Reference	
<p>Increase in superannuation guarantee (SG) rate to 10.5%</p> <p>From 1 July 2022, the SG charge percentage increased from 10.0% to 10.5%. Employers will need to use the increased rate to calculate the minimum mandatory SG contributions they make into their employees' superannuation funds.</p> <p>The increased rate applies to all SG contributions made on behalf of employees on or after 1 July 2022, even if all or part of the pay period relates to work performed before 1 July 2022.</p> <p>This increase forms part of a series of incremental increases to the SG rate that are already legislated to increase the rate to 12% by 1 July 2025.</p> <div data-bbox="165 869 1015 1155"> <p>TRAP</p> <p>SG contributions are deductible only when the contributions are received by the employees' superannuation fund NOT when the employer pays the amount. A delay may exist between the timing of these two events and may cross over the end of an income year.</p> </div> <p>More information can be found on the ATO website here.</p>	<p>6D Superannuation expenses</p> <p>Section 290-60 of the ITAA 1997</p> <p>TR 2010/1</p>	
<p>Deductions for bad debts</p> <p>For a debt to be written off as bad in 2022-23, the debt must be declared bad before the end of the income year and reasonable steps must have been undertaken to recoup the debt.</p> <p>A deduction for a bad debt or loss on a debt-equity swap is allowable only if the company claiming the deduction satisfies:</p> <ul style="list-style-type: none"> the continuity of ownership test in Subdivision 165-C of the ITAA 1997; or the business continuity test (if the continuity of ownership test is not satisfied or it is not practicable to show that it is) in Subdivision 165-E of the ITAA 1997. 	<p>6E Bad debts</p> <p>Section 25-35 of the ITAA 1997</p> <p>Subdivision 165-C of the ITAA 1997</p> <p>Subdivision 165-E of the ITAA 1997</p> <p>TR 1999/9</p> <p>LCR 2019/1</p> <p>TR 92/18</p>	



Description	Tax return item Reference	
<p>(continued ...)</p> <p>NOTE</p> <p>For widely held companies and eligible Division 166 companies, the continuity of ownership test may be modified by Subdivision 166-C of the ITAA 1997, which provides a simplified method for determining the company's ultimate majority ownership.⁰</p> <p>More information can be found on the ATO website here.</p>	<p>6E Bad debts</p> <p>Section 25-35 of the ITAA 1997</p> <p>Subdivision 165-C of the ITAA 1997</p> <p>Subdivision 165-E of the ITAA 1997</p>	
<p>Commercial debt forgiveness</p> <p>Under the commercial debt forgiveness rules, a forgiven amount may reduce (in the following order) the company's:</p> <ul style="list-style-type: none"> • prior income year revenue losses; • net capital losses from earlier years; • deductions for capital allowances and some similar deductions; and • assets' cost base and reduced cost base. <p>However, these rules do not apply if the debt is forgiven:</p> <ul style="list-style-type: none"> • as a result of an action under bankruptcy law; • in a deceased person's will; or • for reasons of natural love and affection. <p>More information can be found on the ATO website here.</p>	<p>Appendix 5</p> <p>Division 245 of the ITAA 1997</p> <p>TD 2022/1</p>	
<p>Depreciation expenses</p> <p>The amount reported at label 6X <i>Depreciation expenses</i> should match the amount of depreciation in the company's financial statements. However, if the company is an SBE using the simplified depreciation rules, the amount reported at label 6X should be the tax value of depreciation under such rules.</p> <p>The decline in value of depreciating assets should be reported at label 7F <i>Decline in value of depreciating assets</i>. Where the depreciation expenses for the income year are different between accounting and tax, any differences should also be reported at label 7W <i>Non-deductible expenses</i>.</p>	<p>6X Depreciation expenses</p> <p>7F Decline in value of depreciating assets</p>	


Description	Tax return item Reference	
<p>Motor vehicle expenses</p> <p>Only motor vehicle expenses incurred as part of running a business are deductible. The running costs for motor vehicles owned by the company excludes expenses shown at:</p> <ul style="list-style-type: none"> ● Label 6F <i>Lease expenses within Australia;</i> ● Label 6I <i>Lease expenses outside Australia;</i> ● Label 6V <i>Interest expenses within Australia;</i> ● Label 6J <i>Interest expenses outside Australia;</i> and ● Label 6X <i>Depreciation expenses.</i> <p>Where an employee is provided with access to a business vehicle and the vehicle is available to the employee to use for private purposes, the employer may be subject to FBT.</p> <p>The type of fringe benefit varies in accordance with the type of vehicle the employee uses for private purposes. Where a car is provided, a car fringe benefit may arise and a residual benefit may arise for other vehicles other than cars.</p> <p>More information on FBT on motor vehicles can be found on the ATO website here.</p> <div data-bbox="165 1245 1015 1496" style="background-color: #e6f2ff; padding: 10px;"> <p>NOTE</p> <p>Car fringe benefits provided in relation to eligible zero and low emission vehicles are exempt from FBT. However, exempt amounts still reportable fringe benefit amounts. More information can be found here.</p> </div> <p>Substantiation</p> <p>Business records that should be retained by the company include:</p> <ul style="list-style-type: none"> ● details of the kilometres travelled for business and private use ● receipts for fuel, oil, repairs, servicing and insurance cover ● loan or lease documents ● tax invoices ● registration papers. <p>More information can be found on the ATO website here.</p>	<p>6Y Motor vehicle expenses</p> <p>Section 8-1 of the ITAA 1997</p>	

Description	Tax return item Reference	
<p>Repairs and maintenance</p> <p>Costs of repairs to property, plant, machinery or equipment used solely for producing assessable income or in carrying on a business are deductible, either under section 25-10 of the ITAA 1997 (specific provision) or under section 8-1 (general provision).</p> <p>Costs incurred to remedy defects, damage or deterioration in existence at the time of acquisition of an asset are considered to be capital in nature and are denied as an immediate deduction. Expenditure incurred to improve or alter an asset is of a capital nature and is not deductible.</p> <p>Records showing full details of the nature and cost of repairs to each item need to be retained.</p> <p>More information on what constitutes a 'repair' can be found in TR 97/23.</p>	<p>6Z Repairs and maintenance</p> <p>Section 8-1 of the ITAA 1997</p> <p>Section 25-10 of the ITAA 1997</p> <p>TR 97/23</p>	

Tax reconciliation and adjustments

Description	Tax return item Reference	
<p>Capital gains</p> <p>If the company had a CGT event during the current income year, label 7G <i>Did you have a CGT event during the year?</i> should be marked 'Yes'. This label should still be marked 'Yes' even if all of the company's capital gains were disregarded and/or deferred due to the application of CGT exemptions and rollovers.</p> <p>If the company utilised a CGT exemption or rollover, label 7M <i>Have you applied an exemption or rollover?</i> needs to be completed. If a rollover or exemption applied, the applicable code needs to be inserted in the relevant box. A list of the codes can be found on the ATO website here.</p> <p>More information about CGT for companies can be found here.</p> <p>A CGT schedule should be completed and attached to the tax return where the company made capital gains of \$10,000 or more, or capital losses of \$10,000 or more during the current income year.</p> <p>The CGT Schedule 2023 can be found on the ATO website here.</p>	<p>7G Did you have a CGT event during the year?</p> <p>7M Have you applied an exemption or rollover?</p>	

Description	Tax return item Reference	
<p>Blackhole expenditure</p> <p>If a company incurs business-related expenditure that is not deductible under any other provision of the tax law, it may claim such amounts as blackhole expenditure under section 40-880 of the ITAA 1997. Blackhole expenditure is deducted over a 5-year period, allowing the company to claim $\frac{1}{5}$th of the relevant cost each income year.</p> <p>Capital expenditure is deductible as blackhole expenditure if it is incurred:</p> <ul style="list-style-type: none"> • for the taxpayer's business; • for a business that used to be carried on, such as capital expenses incurred in order to cease the business; • for a business that is proposed to be carried on, such as the costs of feasibility studies, market research or setting up the business entity; or • as a shareholder, beneficiary or partner to liquidate or deregister a company or to wind up a trust or partnership (and the company, trust or partnership has carried on a business) <p>More information can be found in TR 2011/6 and the ATO website here.</p>	<p>7Z Section 40-880 deductions</p> <p>Section 40-880 of the ITAA 1997</p> <p>TR 2011/6</p>	
<p>Capital works</p> <p>If the company holds capital works that were completed in the current or previous income years, it may be eligible to deduct the cost over a period of 25 or 40 years (i.e. 2.5% per year or 4% per year respectively). The rate available will depend on the type of the relevant capital works. These periods are significantly longer than the useful life of most depreciating assets.</p>	<p>7I Capital works deductions</p> <p>Division 43 of the ITAA 1997</p>	


Description	Tax return item Reference	
<p>(continued ...)</p> <p>Examples of capital works include:</p> <ul style="list-style-type: none"> ● buildings or extensions, alterations or improvements to a building; ● alterations and improvements to a leased building, including shop fit outs and leasehold improvements; ● structural improvements such as sealed driveways, fences and retaining walls; and ● earthworks for environmental protection, such as embankments. <p>More information can be found on the ATO website here.</p>	<p>7I Capital works deductions</p> <p>Division 43 of the ITAA 1997</p>	
<p>Skills and training boost and technology investment for small businesses</p> <p>Eligible small businesses with an aggregated turnover of less than \$50 million can claim a bonus deduction of 20% for eligible expenditure on:</p> <ul style="list-style-type: none"> ● external training courses (skills and training boost)⁶; and ● digital technology, capped at \$100,000 of expenditure per annum (technology investment boost)⁷ – includes business expenses and depreciating assets that support their digital adoption, such as portable payment devices, cyber security systems or subscriptions to cloud based services. <p>For eligible expenditure incurred from 7:30pm AEDT on 29 March 2022 until 30 June 2023, the bonus deduction is claimed in the 2022–23 income year (the bonus deduction for expenditure incurred in both the 2021–22 and 2022–23 income years is claimed in the 2023 CTR).</p>	<p>7J Small business skills and training boost</p> <p>7L Small business technology investment boost</p> <p>Section 328-445 and section 328-450 (skills and training boost) and section 328-455 and section 328-460 (technology investment boost) of the IT(TP)A</p>	

⁶ Given effect by Schedule 4 to the [Treasury Laws Amendment \(2022 Measures No. 4\) Act 2023](#).


⁷ Given effect by Schedule 5 to the [Treasury Laws Amendment \(2022 Measures No. 4\) Act 2023](#).


Description	Tax return item Reference	
<p>(continued ...)</p> <p>The skills and training boost is available until 30 June 2024, however the technology investment boost ended on 30 June 2023.</p> <p>Record at 7J Small business skills and training boost and 7L Small business technology investment boost only the amount of the bonus deduction.</p> <div data-bbox="167 669 976 788" style="border: 1px solid #f0e68c; padding: 5px; margin: 10px 0;"> <p>Small business skills and training boost J \$, , , ·X</p> <p>Small business technology investment boost L \$, , , ·X</p> </div> <p>More information can be found on the ATO website here.</p>	<p>7J Small business skills and training boost</p> <p>7L Small business technology investment boost</p>	

Capital allowances


Description	Tax return label Reference	
<p>Temporary full expensing (TFE)</p> <p>The TFE regime ended on 30 June 2023. It temporarily superseded:</p> <ul style="list-style-type: none"> the instant asset write-off (IAWO) rules in section 328-180 of the ITAA 1997 until 1 July 2023;⁸ and the immediate deduction rules in section 40-82 of the ITAA 1997 for medium and larger businesses until 31 December 2020. <p>To fully expense a depreciating asset in 2022-23, the asset must have been first held by 30 June 2023 and first used or installed ready for use also by 30 June 2023. If either of these falls after 30 June 2023, then the asset must be depreciated in accordance with the normal rules.</p>	<p>9S Temporary full expensing deductions</p> <p>9T Number of assets you are claiming for</p> <p>Section 328-180 and 328-181 of the IT(TP)A</p> <p>Subdiv 40-BB of the IT(TP)A</p>	


⁸ From 1 July 2023, the IAWO threshold for SBEs (aggregated turnover of less than \$10 million, which includes sole traders) will be temporarily increased to \$20,000 for 12 months. It is expected to revert to \$1,000 from 1 July 2024.



Description	Tax return label Reference	
<p>(continued ...)</p> <p>NOTE</p> <ul style="list-style-type: none"> ● If the taxpayer's aggregated turnover is \$5 billion or more, the alternative income test may enable the taxpayer to use TFE. ● Small business entities who choose to use the simplified depreciation rules in Subdivision 328-D of the ITAA 1997 cannot opt out of TFE. Other businesses are able to opt out of TFE. <p>More information can be found on the ATO website here.</p>	<p>9S Temporary full expensing deductions</p> <p>9T Number of assets you are claiming for</p>	
<p>Opting out of TFE</p> <p>Businesses not using the simplified depreciation rules are able to opt out of TFE for an income year (ending no later than 30 June 2023) on an asset-by-asset basis.</p> <p>A business that has not applied TFE for an asset in an income year must notify the ATO:</p> <ul style="list-style-type: none"> ● in the approved form ● in the 2023 tax return by completing the following labels: <ul style="list-style-type: none"> ○ Label P <i>Are you making a choice to opt out of temporary full expensing for some or all of your eligible assets?</i> <ul style="list-style-type: none"> – Label A <i>Some eligible assets</i> – Label B <i>All eligible assets</i> ○ Label Q <i>Number of assets you are opting out for</i> ○ Label R <i>Value of assets you are opting out for</i> <p>NOTE</p> <p>A taxpayer's choice to opt out of TFE is irrevocable.</p>	<p>9P Are you making a choice to opt out of temporary full expensing for some or all of your eligible assets?</p> <p>9Q Number of assets you are opting out for</p> <p>9R Value of assets you are opting out for</p>	


Description	Tax return label Reference	
<p>SBE depreciation</p> <p>The instant asset write-off threshold is temporarily modified for businesses using the simplified depreciation rules for the 2022–23 income year.</p> <p>Under the modified rules, these businesses:</p> <ul style="list-style-type: none"> • must deduct the total balance of the general small business pool at the end of 2022–23; and • cannot opt out of TFE for assets unless they opt out of the simplified depreciation rules. <p>An SBE using simplified depreciation must insert 0 at label 10A Deduction for certain assets as there was no asset meeting the criteria to claim the instant asset write-off.</p> <p>The amount at label 10B Deduction for general small business pool should match the amount claimed at label 6X Depreciation expenses.</p> <p>Labels 9S and 9T should also be completed.</p> <p>More information on how to complete these labels can be found on page 23.</p>	<p>Section 328-181(5) of the IT(TP)A</p> <p>10A Deduction for certain assets</p> <p>10B Deduction for general small business pool</p>	



Other information


Description	Tax return label Reference	
<p>Trading stock – Opening and closing stock</p> <p>Generally, companies will need to account for changes in between the opening and closing balances of their trading stock on hand in accordance with section 70-35 of the ITAA 1997. The company's opening and closing trading stock should be reported at label 8A Opening stock and label 8B Closing stock respectively.</p> <p>Further, the Code box should be completed based on the method the company uses to value its trading stock. Refer to the ATO website for the appropriate codes here.</p> <p>More information can be found on the ATO website here.</p>	<p>8A Opening stock</p> <p>8B Closing stock</p> <p>Section 70-35 of the ITAA 1997</p>	


Description	Tax return label Reference	
<p>Franking account</p> <p>A company's franking account represents the amount of tax already paid that can be passed on to the company's shareholders by attaching franking credits to distributions made to those shareholders. Companies are required to track their franking account balance to ensure they have a sufficient balance from which to pay franking credits to shareholders.</p> <p>A company's franking account is commonly credited when the company:</p> <ul style="list-style-type: none"> ● receives a franked distribution; ● pays income tax or a PAYG instalment; or ● incurs a franking deficit tax liability. <p>A company's franking account is commonly debited when the company:</p> <ul style="list-style-type: none"> ● pays a franked distribution to shareholders; or ● receives a tax refund. <p>NOTE</p> <p>The franking account balance is affected only by amounts that were actually paid and received by the company. Further, amounts are recognised in the franking account effectively on a cash basis. For example, if a company makes a tax payment to the ATO after 30 June, the payment forms part of the franking account for the following income year.</p> <p>NOTE</p> <p>Special rules apply for consolidated groups and MECs.</p> <p>More information can be found on the ATO website here.</p>	<p>8P Opening franking account balance</p> <p>8M Closing franking account balance</p> <p>Division 205 of the ITAA 1997</p>	


Description	Tax return label Reference	
<p>Aggregated turnover</p> <p>A company's aggregated turnover for an income year includes its own turnover, as well as the turnover of entities that are its affiliate or are 'connected with' it.</p> <p>The meanings of 'affiliate' and 'connected with' have specific legislative definitions, which should be applied to the company and its potentially related entities for the purposes of calculating its aggregated turnover.</p> <p>More information can be found on the ATO website here.</p>	<p>8X Select your aggregated turnover range</p> <p>8Y Aggregated turnover</p> <p>Sections 328-125 and 328-130 of the ITAA 1997</p>	
<p>Loans to shareholders</p> <p>Label 8N <i>Loans to shareholders and their associates</i> should be completed only if the:</p> <ul style="list-style-type: none"> company is a private company or closely held corporate limited partnership (CLP); company or closely held CLP has a loan to a shareholder or an associate of a shareholder that has a debit balance at the end of the income year, and the recipient of the loan was a natural person, partnership or trust. <p>The code reported at label 8N is based on when the loans were made. A list of the relevant codes can be found on the ATO website here.</p> <p>Loans to a shareholder or an associate of a shareholder (shareholder/associate) may be treated as assessable dividends to the extent of the distributable surplus including realised and unrealised profit (unless an exemption applies). A loan to a shareholder/associate may be repaid or put on commercial footing before the entity's lodgment day in order to prevent the loan from being treated as a deemed dividend.</p> <p>For loans made in an earlier income year, a deemed dividend may arise if the Division 7A minimum yearly repayment has not been made by the end of each income year during the term of the loan.</p> <p>NOTE</p> <p>The lodgment day is the earlier of the due date for lodgment or the date of lodgment of the private company's or closely held CLP's tax return for the year in which the loan was made</p>	<p>8N Loans to shareholders and their associates</p> <p>Division 7A of Part III of the ITAA 1936</p>	



Description	Tax return label Reference	
(continued ...) More information can be found on the ATO website here .	8N Loans to shareholders and their associates	
<p>Salary and wages</p> <p>The amount reported at label 8D <i>Total salary and wage expenses</i> should reflect the amount of salary and wage expenses disclosed in the employee's Income Statement. It includes the following amounts:</p> <ul style="list-style-type: none"> ● salary and wages; ● remuneration to directors; ● salary and wage components of any expenses reported at label 6A <i>Cost of Sales</i> including allowances, bonuses, payments to casual staff, retainers and commissions to people on a retainer, workers' compensation paid through payroll, and direct and indirect labour costs; ● annual, long service leave and sick leave; ● lump sum payments; ● other employee benefits; and ● overtime pay. <p>If the company is a private company, any relevant amounts paid to a current shareholder, director or an associate of such a person should be reported at this label, as well as label 8Q <i>Payments to associated persons</i>.</p> <p>The following amounts should not be included at label 8D:</p> <ul style="list-style-type: none"> ● agency fees; ● contract and subcontract payments; ● service fees; ● employer superannuation contributions; ● reimbursements or allowances for travel; ● management fees; ● consultant fees; and ● wages or salaries reimbursed under a government program. 	<p>6A Cost of sales</p> <p>8D Total salary and wage expenses</p> <p>8Q Payments to associated persons</p>	


Description	Tax return label Reference	
<p>Controlled foreign company rules</p> <p>Where the company holds an interest in a CFC, foreign investment fund, or a transferor trust (or receives foreign dividends or branch profits) label 28S Overseas interest should be answered 'Yes'.</p> <p>In these instances, an International Dealings Schedule (IDS) will need to be completed and attached to the company tax return. Further, label 8B Unlisted country, label 8U Unlisted country and label 8V Transferor trust must be completed, showing any relevant amounts of attributed foreign income (if any).</p> <p>More information can be found on the ATO website here.</p>	<p>8B Listed country</p> <p>8U Unlisted country</p> <p>8V Transferor trust</p> <p>28S Overseas interests</p>	
<p>Taxation of financial arrangements</p> <p>The TOFA rules seek to align the taxation of certain financial instruments with the commercial and economic recognition of gains and losses on such items.</p> <p>Broadly, the TOFA rules apply to an entity where it is:</p> <ul style="list-style-type: none"> an authorised deposit-taking institution, a securitisation vehicle, or a financial sector entity with an aggregated turnover of \$20 million or more; a superannuation entity, a managed investment scheme or a similar scheme under a foreign law if the value of the entity's assets is \$100 million or more; or any other entity (except an individual) that has any of the following: <ul style="list-style-type: none"> an aggregated turnover of \$100 million or more; assets of \$300 million or more; or financial assets of \$100 million or more. <p>The total TOFA gains reported at item 6 and label 7E TOFA income from financial arrangements not included at Item 6 should match the amount reported at label 8T Total TOFA gains. Similarly, the total TOFA losses reported at item 6 and label 7W TOFA deductions not included at item 6 should match the amount reported at item 8U Total TOFA losses.</p> <p>More information can be found on the ATO website here.</p>	<p>7E TOFA income from financial arrangements not included in item 6</p> <p>7W TOFA deductions from financial arrangements not included in item 6</p> <p>8T Total TOFA gains</p> <p>8U Total TOFA losses</p> <p>Division 230 of the ITAA 1997</p>	

Description	Tax return label Reference	
<p>Tax losses</p> <p>Before a company can utilise tax losses brought forward from previous income years, it must pass the continuity of ownership test (COT), same business test (SBT) or similar business test (SIBT).</p> <ul style="list-style-type: none"> ● COT: there must be persons who held 50% or more of the voting rights, rights to dividends and rights to capital in the company in the income year the relevant losses were first incurred until the end of the income year when the losses are to be utilised. ● SBT: the company must have carried on the same kind of business and not entered into any new kinds of transactions from the start of the income year in which the losses were incurred until the end of the income year in which the losses are to be utilised. ● SIBT: the company must have carried on a similar business and not entered into any new kinds of transactions or arrangements from the start of the income year in which the relevant losses were incurred until the end of the income year in which the losses are to be utilised. <p>A company will need to complete and attach a Losses schedule to the tax return if it:</p> <ul style="list-style-type: none"> ● has total of tax losses and net capital losses greater than \$100,000 carried forward to later income years; ● is required to satisfy the SBT or SIBT to deduct or apply a loss either in the current income year or in a later income year or, having passed the COT, has claimed a deduction for tax losses and/or applied net capital losses greater than \$100,000; ● has an interest in a CFC that has current year losses greater than \$100,000; or ● has an interest in a CFC that has deducted or carried forward a loss greater than \$100,000 to later income years. 	<p>7R Tax losses deducted</p> <p>13 Losses information</p> <p>Section 165-12 of the ITAA 1997</p> <p>Section 165-210 of the ITAA 1997</p> <p>Section 165-211 of the ITAA 1997</p>	



Description	Tax return label Reference	
<p>(continued ...)</p> <p>TRAP</p> <p>Historical losses may be impacted by the commercial debt forgiveness rules. It is important to ensure these rules do not apply to past losses.</p> <p>More information can be found on the ATO website here.</p> <p>Further information can be found on the ATO website here.</p>	<p>7R Tax losses deducted</p> <p>13 Losses information</p>	
<p>Loss carry back (LCB)</p> <p>The LCB rules allow eligible companies with an aggregated turnover of less than \$5 billion to receive a refundable tax offset by carrying back losses made between the 2019–20 through to the 2022–23 income year to offset tax paid in the 2018–19 to 2021–22 income years. The offset represents the amount of tax the company would have saved if it were able to deduct those losses in the earlier income years.</p> <p>The amount of the LCB tax offset is limited to the lesser of:</p> <ul style="list-style-type: none"> the tax liability for each year the company carries the loss back to; or the surplus in the company’s account on the last day of the 2021–22 income year. <p>If the company has claimed a LCB tax offset during the income year, the amount of the offset should be included in the Calculation statement at label E Refundable tax offsets.</p> <p>TRAP</p> <p>Historical losses may be impacted by the commercial debt forgiveness rules. It is important to ensure these rules do not apply to past losses.</p> <p>More information can be found on the ATO website here.</p> <p>More information can be found on the ATO website here.</p>	<p>13S Loss carry back tax offset</p> <p>E Refundable tax offsets (in the Calculation statement)</p> <p>Section 160-5 and section 60-10 of the ITAA 1997</p>	

Description	Tax return label Reference	
<p>Losses information – Aggregated turnover</p> <p>The aggregated turnover labels need to be completed depending on the relevant year and amounts of the losses being carried back.</p> <p>The relevant codes for the following labels can be found here:</p> <ul style="list-style-type: none"> ● Label 13O <i>Select your aggregated turnover range for 2019–20;</i> ● Label 13Q <i>Select your aggregated turnover range for 2020–21;</i> ● Label 13C <i>Select your aggregated turnover range for 2021–22.</i> <p>The following labels only need to be completed by SGEs:</p> <ul style="list-style-type: none"> ● Label 13P <i>Aggregated turnover for 2019–20;</i> ● Label 13R <i>Aggregated turnover for 2020–21; and</i> ● Label 13D <i>Aggregated turnover for 2021–22.</i> <p>Amounts shown at labels 13P, 13R and 13D should be rounded to the nearest \$100 million.</p> <div data-bbox="165 1128 1015 1337"> <p>NOTE</p> <p>Taxpayers will not be penalised for specifying an incorrect amount where they make their best attempt to calculate their aggregated turnover for labels 13O, 13Q and 13C.</p> </div>	<p>13O Select your aggregated turnover range for 2019–20</p> <p>13P Aggregated turnover for 2019–20</p> <p>13Q Select your aggregated turnover range for 2020–21</p> <p>13R Aggregated turnover for 2020–21</p> <p>13C Select your aggregated turnover range for 2021–22</p> <p>13D Aggregated turnover for 2021–22</p>	

Description	Tax return label Reference	
<p>Personal services income</p> <p>Where the company has received PSI that has been derived by an individual, the trust must report:</p> <ul style="list-style-type: none"> at label 14A the total amount of gross PSI that is included in the income labels at item 6 at label 14B the deductions against that PSI that is included in the expense labels at item 6. The net amount of labels 14A and 14B should match the amount declared at item 9 <i>Attributed personal services income</i> of the ITR 2023. <p>TRAP</p> <p>Throughout the income year, businesses may have utilised one of the ATO's two simplified methods for working out the attributed income for PAYG withholding purposes.</p> <p>This will usually result in the amount on which PAYG withholding is based and remitted during the income year being different to the amount of attributed income that is reported, and the credit for the PAYG withholding that is claimed, in the individual's 2023 tax return.</p> <p>More information on PSI can be found here.</p>	<p>14 Personal services income</p> <p>Section 86-15 of the ITAA 1997</p>	
<p>Research and development tax incentive (R&DTI)</p> <p>The R&DTI allows eligible companies to claim tax offsets in respect of eligible expenditure on R&D activities.</p> <p>Before a company can claim tax offsets under the R&DTI, it must be registered with AusIndustry. The registration process involves demonstrating that the company's activities qualify for the R&DTI and meet the requisite level of innovation.</p> <p>Companies will need to keep proper records and documentation of all expenses giving rise to R&DTI claims. This includes substantiating the nature, purpose and connection of the relevant expenses with the R&DTI.</p> <p>Taxpayers claiming the R&DTI will also need to complete the R&DTI Schedule 2023.</p> <p>More information can be found on the ATO website here.</p>	<p>21 Research and development tax incentive</p>	

Description	Tax return label Reference	
<p>International dealings schedule</p> <p>Taxpayers who respond who answer ‘Yes’ at labels 27 to 29 will need to complete an IDS 2023.</p> <p>When reporting amounts in item 27, transactions should not be netted off against one another. For example, if the company purchased \$600,000 in goods and sold the same goods for \$700,000 with related parties, the aggregate amount of such transactions is \$1.3 million rather than \$100,000.</p> <p>Item 28 includes interests in:</p> <ul style="list-style-type: none"> business operations carried on by an Australian resident entity at or through a fixed place of business in another country; and business operations carried on by a foreign resident entity at or through a fixed place of business in Australia. <p>More information on foreign branch operations can be found on the ATO website here.</p> <p>Broadly, the thin capitalisation regime does not apply to a company if:</p> <ul style="list-style-type: none"> the company and its associate entities had debt deductions of \$2 million or less during the current income year⁹; the company satisfies the exemption in section 820-37 of the ITAA 1997 (i.e. 90% or more of the total assets of the company and its associated entities are Australian assets); or the company meets the exemption in section 820-39 of the ITAA 1997 (relating to insolvency remote special purpose entities). <p>More information about the thin capitalisation regime can be found here.</p> <p>More information on the IDS 2023 can be found on the ATO website here.</p>	<p>27 Was the aggregate amount of the transactions or dealings with international related parties (including the value of property transferred or the balance outstanding on any loans) greater than \$2 million</p> <p>28 Overseas interests</p> <p>29 Thin capitalisation</p>	

⁹ See [section 820-35](#) of the ITAA 1997.

Description	Tax return label Reference	
<p>Calculation statement – Refundable and non-refundable tax offsets</p> <p>Non-refundable non-carry forward tax offsets are applied before other tax offsets. If there are any excess non-refundable non-carry forward tax offsets after applying them to the company's tax payable, the excess amounts cannot be refunded and are lost.</p> <p>Non-refundable carry forward tax offsets are applied to reduce the company's tax payable after non-refundable non-carry forward tax offsets. If there are excess non-refundable carry forward tax offsets after the company's tax payable is nil, the excess amounts may be carried forward to offset against the company's tax payable in future income years.</p> <p>A company must apply non-refundable tax offsets carried forward from previous income years against its net exempt income before they can be applied against its taxable income. Net exempt income is reduced by \$1 for each 25 cents of the tax offset if the company is a base rate entity for the year, otherwise by \$1 for each 30 cents of the tax offset.</p> <p>Refundable tax offsets are applied against the company's taxable income after all other tax offsets have been applied (except for tax offsets arising from franking deficit tax). If the company has any excess refundable tax offsets, these amounts may be refunded directly to the entity in cash.</p>	<p>C Non-refundable non-carry forward tax offsets (in the Calculation statement)</p> <p>D Non-refundable carry forward tax offsets (in the Calculation statement)</p> <p>E Refundable tax offsets (in the Calculation statement)</p>	
<p>Franking deficit tax (FDT)</p> <p>If a company's franking account is in deficit (i.e. debit) at the end of the income year, it is required to lodge a franking account tax return and pay FDT on the deficit.</p> <p>The company is entitled to receive FDT offsets on any FDT it has paid if it is a resident for more than half of the income year and the entity:</p> <ul style="list-style-type: none"> • has incurred a liability to pay FDT in that year; • has carried forward an amount of excess FDT offset that was unable to be applied against an income tax liability in a previous income year; or 	<p>F Franking deficit tax offset (in the Calculation statement)</p> <p>Sections 205-45 and 205-70 of the ITAA 1997</p>	

Description	Tax return label Reference	
<p>(continued ...)</p> <ul style="list-style-type: none"> incurred a liability to pay FDT in a previous income year when it did not meet the residency requirement and was therefore not entitled to an FDT offset for that income year. <p>FDT offsets are applied after all other offsets have been applied.</p> <p>FDT offsets may be reduced by 30% when certain franking debits give rise to a franking deficit is greater than 10% of the total franking credits in the franking account in an income year.</p> <p>More information can be found on the ATO website here.</p>	<p>F Franking deficit tax offset (in the Calculation statement)</p>	

Conclusion

Considerations for your practice

End of financial year planning can also be an opportunity for you to ensure you are meeting your requirements as a practitioner for your firm. Changes in technology are continuing to lead to an evolution in the ways practitioners operate and interact with clients, staff and the ATO. The changes in technology also bring with them the need to ensure security and safety protocols are being constantly monitored. The TPB, ASIC, ATO and other professional bodies have consequently updated the requirements for practitioners to mitigate against new risks. As a practitioner, it is important that these requirements are regularly reviewed.

For changes in your business procedures, it is imperative that practitioners update their quality assurance manuals to reflect these changes and mitigate against new threats.

ATO resources

The ATO website contains resources that may help practitioners in preparing tax returns. Some of the ATO's key resources include:

- [Company tax return 2023](#) (PDF)
- [Company tax return instructions 2023](#)
- [Tax time toolkit for small businesses](#).

2022–23 tax rates and thresholds

The Tax Rates Tables set out helpful rates and thresholds that will assist you prepare your clients' tax returns. The rates can be viewed on the 2022–23 Tax Rates Tables, which can be found [here](#).

Final thoughts

The above checklists are not an exhaustive list of all CTR labels. The checklists serve as a reminder of some of the traps that practitioners and taxpayers may encounter when preparing the 2023 TTR. Underpinning the preparation of a tax return is the key requirement for taxpayers to maintaining good records substantiating any claims.

Further, practitioners cannot rely solely on the validation errors in their accounting software to ensure they complete the mandatory items in the CTR. If a tax return label is mandatory and incomplete, practitioners may still be liable for penalties under Practice Statement Law Administration [PS LA 2012/4](#) and [PS LA 2012/5](#).

Tax practitioners should also be aware of the behaviours or activities that [attract the ATO's attention](#). These include:

- tax or economic performance not comparable to similar businesses;
- low transparency of the company's tax affairs;
- adviser influence on the company's tax affairs;
- large, one-off or unusual transactions, including the transfer or shifting of wealth;
- accessing business assets for tax-free private use; and
- insufficient governance and risk-management systems.

We welcome your feedback on what other aspects practitioners should consider prior to the end of financial year in our [Community](#) member-only forum.

Abbreviations and acronyms

Legislative abbreviations

Abbreviation	Description
ITAA 1936	<i>Income Tax Assessment Act 1936</i>
ITAA 1997	<i>Income Tax Assessment Act 1997</i>
ITRA	<i>Income Tax Rates Act 1986</i>
IT(TP)A	<i>Income Tax (Transitional Provisions) Act 1997</i>

Acronyms and other abbreviations

Abbreviation	Description
BRE	Base rate entity
ATO	Australian Taxation Office
CBC	Country by country
CFC	Controlled foreign company
CGT	Capital gains tax
CLP	Corporate limited partnership
Commissioner	Commissioner of Taxation
COT	Continuity of ownership
CTR	Corporate tax return
FBT	Fringe benefits tax
FDT	Franking deficit tax
FITO	Foreign income tax offset
FTDT	Family trust distribution tax
GPE	Global parent entity
IAWO	Instant asset write-off
IDS	International dealings schedule
IEE	Interposed entity election
ITR	Individual tax return
LCB	Loss carry back

Abbreviation	Description
MEC	Multiple entry consolidated
PAYG	Pay as you go
PSI	Personal services income
R&DTI	Research and development tax incentive
SBE	Small business entity
SBT	Same business test
SG	Superannuation Guarantee
SGE	Significant global entity
SIBT	Similar business test
TFE	Temporary full expensing
TFN	Tax File Number
TOFA	Taxation of financial arrangements

Further guidance and information

Further guidance and information can be found on the [ATO website](#).

If you have any specific concerns that have not been outlined above, please email taxpolicy@taxinstitute.com.au.

DISCLAIMER: The material and opinions in this article should not be used or treated as professional advice and readers should rely on their own enquiries in making any decisions concerning their own interests.

© 1996–2023 The Tax Institute (ABN 45 008 392 372 (PRV14016)).
All rights reserved. The Tax Institute is a Recognised Tax Agent Association (RTAA) under the *Tax Agent Services Regulations 2009*.