This checklist should be completed in conjunction with the preparation of tax reconciliation return workpapers. The checklist provides a general list of major issues that should be addressed. (The checklist is not designed to be an exhaustive list of all issues that may warrant consideration)

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|  |  |
| --- | --- |
| Entity’s Name |  |

| Prior Year Tax Return Considerations | Yes | No | N/A |
| --- | --- | --- | --- |
| Has last year’s tax return been checked for reversing timing differences (e.g. accruals and provisions)? |  |  |  |
| Has last year’s tax return been checked for recurring timing differences that may need to be considered in the current year (e.g. amortisation of computer software and black-hole expenditure deductible in accordance with section 40-880 of the *Income Tax Assessment Act 1997*)? |  |  |  |
| Has last year’s tax return been checked for tax losses and capital losses carried forward to the current income year? |  |  |  |
| Have you checked the prior year action sheet for prior year carry forward issues? |  |  |  |
| Comments: | | | |

|  |  |  |  |
| --- | --- | --- | --- |
| Statement of Financial Position (Balance Sheet) | Yes | No | N/A |
| General | | | |
| Have all balance sheet items been reviewed (e.g. deductibility of consumable stores, write-offs, assessability of deferred income, tax treatment of bills of exchange etc.)? |  |  |  |
| Have all movements in provisions been adjusted for (e.g. provision for annual leave, provision for long service leave, provision for obsolete stock, provision for doubtful debts etc.)? |  |  |  |
| Have sundry creditors been reviewed for accruals / provisions which have not been legally incurred by year end and for non-deductible accrued expenditure (e.g. accrued audit expenditure and accrued superannuation expenditure)? |  |  |  |
| Have sundry debtors been reviewed for prepayments and accrued income (e.g. interest receivable)? |  |  |  |
| Has accrued FBT been correctly calculated on the basis that a deduction is being claimed for the FBT instalment referable to the June 2016 quarter and an amount added-back of the FBT instalment referable to the June 2015 quarter if claimed in the prior year (as per Taxation Ruling TR 95/24)? |  |  |  |
| Division 7A | | | |
| For private companies, have loans, payments and debt forgiveness to shareholders or their associates been considered for Division 7A purposes? If Division 7A applies, please refer to CPA Australia’s 2016 Division 7A checklist for further information. |  |  |  |
| Prepayments | | | |
| Have all prepayments of less than $1,000 been claimed as an immediate tax deduction? |  |  |  |
| Have all prepayments required to be made by law or under an order of a court (e.g. prepaid workcover expenditure) been claimed as an immediate tax deduction? |  |  |  |

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| --- | --- | --- | --- |
| Statement of Financial Position (Balance Sheet) | Yes | No | N/A |
| **Prepayments (continued)** | | | |
| Have all prepayments of more than $1,000 which were not required to be made under a law or a court order been capitalised and apportioned over the eligible service period to which the prepayment relates? |  |  |  |
| Trading Stock | | | |
| Does the company have trading stock? |  |  |  |
| Does the opening balance of trading stock for tax purposes agree with the closing balance of trading stock in last year’s income tax return? |  |  |  |
| Is the closing stock valuation method adopted by the company acceptable for both accounting and tax purposes? If not, can the tax valuation be justified and is it adequately documented? |  |  |  |
| Has the company disposed of any trading stock outside the normal course of business? If so, has the market value of the trading stock on the day of the disposal been included in the company’s assessable income in accordance with section 70-90 of the *Income Tax Assessment Act 1997* (the ITAA 1997)? |  |  |  |
| Where stock is valued at cost price, is a full absorption costing basis being used? |  |  |  |
| Has the treatment of goods-in transit and consignment stock been considered in the valuation of trading stock? |  |  |  |
| Has a deduction been claimed for consumable stores on hand at balance date? |  |  |  |
| Has a review been conducted to identify whether any stock is obsolete? |  |  |  |
| Intellectual Property | | | |
| Have you considered the depreciation rules for certain intellectual property under Division 40 of the ITAA 1997? |  |  |  |
| Debt / Equity | | | |
| Have the application of the Debt / Equity rules been considered for all related party loan interests and hybrid securities issued by the company?  **Note:** from 1 July 2005 an at call loan is treated as a debt interest where the amount is a related party at call loan, and the borrowing company has an annual GST exclusive turnover of less than $20 million at the end of the income year. However, that loan will be treated as equity for tax purposes for any year in which that $20 million threshold is exceeded. |  |  |  |
| Statement of Comprehensive Income (Profit and Loss) | Yes | No | N/A |
| General | | | |
| Have you considered whether accounting profit/loss before tax (Item 6 label T) reconciles to the profit and loss statement? If these do not reconcile, determine nature of the difference(s). |  |  |  |
| Have expenses been reviewed generally for non-deductible items (e.g. for non-deductible entertainment, private expenses, donations made to entities who are not deductible gift recipients, subscriptions to private publications, capital legal expenses etc.)? |  |  |  |
| Have operating and / or finance leases and hire purchase agreements been properly treated for tax purposes? |  |  |  |
| For interest claimed, has the deductibility of the interest been considered in the light of the use of borrowed funds? |  |  |  |
| If the ATO notified you of a SIC or GIC liability, has this been claimed as a deduction? |  |  |  |
| Have penalties paid (excluding GIC or SIC) to the ATO or as otherwise charged under an Australian or foreign law been treated as non-deductible and interest received from the ATO brought to account as assessable? |  |  |  |
| Has the treatment of discounts on short-term securities (e.g. bills of exchange, promissory notes) been considered? |  |  |  |
| Has interest received been grossed up for any TFN withholding tax deducted and a claim made for the amount of tax deducted? |  |  |  |
| Has the entity derived income that is exempt from tax or which is non-assessable non-exempt income (e.g. non-portfolio foreign dividends received on equity interests in overseas subsidiaries or exempt foreign branch income)? |  |  |  |
| Statement of Comprehensive Income (Profit and Loss) | Yes | No | N/A |
| **General (continued)** | | | |
| Have you considered if any of the income recorded in the accounts could be regarded as unearned income in accordance with the principle in Arthur Murray and therefore should not be included in income for the current year? |  |  |  |
| For travel expenses, have travel diaries been kept (where applicable) along with other supporting documentation? |  |  |  |
| Has the timing of income and expenditure been considered for long-term construction contracts? |  |  |  |
| Has the potential deductibility of expenditure which has been capitalised for accounting purposes  (e.g. capitalised interest) been considered? |  |  |  |
| Are management fees / consultancy fees paid to related entities commercially realistic and supported by appropriate documentation? |  |  |  |
| Decline in Value (Depreciation) | | | |
| Have you ensured this year’s tax opening balance agrees to last year’s closing balance? |  |  |  |
| Has the effective life of new acquisitions been reviewed? |  |  |  |
| Has the balancing adjustment for disposed or scrapped assets been reviewed? |  |  |  |
| Have repairs expensed for accounting purposes, but capitalised for tax purposes, been treated as additions to the tax fixed assets schedule and depreciated? |  |  |  |
| Have additions been reviewed to ensure depreciation has been claimed on depreciating assets? |  |  |  |
| For construction of new income-producing buildings or for extensions, alterations or structural improvements, is a capital works deduction available under Division 43? |  |  |  |
| Has scrapped plant and equipment (for which a deduction has been claimed) been physically scrapped or set aside for scrapping, during the year? |  |  |  |
| Has the motor vehicle depreciation cost limit of $57,466 been applied when calculating depreciation for tax purposes? |  |  |  |
| Has a profit on the sale of previously leased motor vehicles been brought into account? |  |  |  |
| Have plant conversion and relocation costs been capitalised and depreciated? |  |  |  |
| For companies that are small business entity taxpayers, can assets acquired during the year costing less than $20,000 be written off immediately? Is the closing balance of the low value pool of an SBE taxpayer’s depreciating assets less than $20,000 as that balance can be immediately written off? |  |  |  |
| For companies that are not small business entities, have assets costing less than $1,000 been included in a low-value depreciation pool? |  |  |  |
| Have the black hole expenditure rules in Subdivision 40-I of the ITAA (1997) (e.g. section 40-880) been considered in respect of any business capital expenditure incurred during the year? |  |  |  |
| **Note:** disclosures are required to be made at Item 9 and 10 in relation to depreciating assets and depreciation claimed in relation to companies that are small business entities. |  |  |  |
| Non-Resident Companies | | | |
| Has income from only Australian sources / permanent establishments been included in assessable income? |  |  |  |
| Have applicable double tax treaties been considered, particularly the articles dealing with business profits and permanent establishment? |  |  |  |
| For companies that do not have a permanent establishment in Australia – have dividends, interest and amounts attributed to MIT fund payments (that are franked or subject to withholding tax) been excluded from the calculation of taxable income? |  |  |  |
| For companies that have a permanent establishment in Australia – have interest, amounts attributed to MIT fund payments, dividends and their franking credits (that are not subject to withholding tax) been included in the calculation of taxable income? |  |  |  |
| Have the capital gains tax implications of a sale of taxable Australian real property been considered? |  |  |  |

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| --- | --- | --- | --- |
| Statement of Comprehensive Income (Profit and Loss) | Yes | No | N/A |
| Superannuation | | | |
| Have all superannuation contributions claimed for the year been paid to the fund before year end? If not, have accrued superannuation contributions been added back? |  |  |  |
| Has the entity provided the prescribed level of superannuation for each employee pursuant to the Superannuation Guarantee Scheme? |  |  |  |
| Has a Superannuation Guarantee charge amount been paid by the entity? If so, has the amount been added back as non-deductible? If a late superannuation contribution was offset against the superannuation guarantee charge, the offset amount is not deductible.  **Note**: from 1 July 2012 directors of a company can be held personally liable for unpaid superannuation guarantee amounts. |  |  |  |
| Capital Gains | | | |
| Have any capital gains calculations been reviewed for their correctness? |  |  |  |
| Have the necessary adjustments been made where the accounting gain / loss does not equal the capital gain / loss for tax purposes? |  |  |  |
| Have you considered the unrealised loss rules in Subdivision 165-CC of the ITAA 1997 in relation to the disposal of CGT assets that were held at a change over time (i.e. change in the ownership or control of the company)? |  |  |  |
| Have you considered whether capital gains may be able to be reduced, eliminated or deferred in accordance with the small business CGT concessions? |  |  |  |
| Have you considered whether capital gains made in relation to shares in foreign companies can be reduced / eliminated under subdivision 768-G of the ITAA 1997? |  |  |  |
| Repairs and Maintenance | | | |
| Have repairs and maintenance claims been reviewed to ensure they are of a revenue nature and contain no capital items? |  |  |  |
| Taxation of Financial Arrangements | | | |
| Have you considered the application of TOFA rules to the company? |  |  |  |
| Has the disclosure at item 7E and 7W been reconciled to the financial and other income disclosures at item 8T and 8U? |  |  |  |
| Bad Debts | | | |
| Have bad debts written off during the year been claimed as a tax deduction? |  |  |  |
| For bad debts claimed as deductions during the year has:   * the debt been physically written off prior to balance date, or is there a Board minute authorising the writing-off of the debt prior to year end? * the debt either previously been returned as assessable income by the company or does it represent a loan made in the ordinary course of a money lending business? * the company satisfied the Continuity of Ownership Test or, alternatively, the Same Business Test (SBT) during the period from when the debt was created to when the debt is proposed to be written off as bad? |  |  |  |
| **Comments:** | | | |

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| Tax Return Form Completion | | Yes | No | N/A |
| Status of Company (Item 3) | | | | |
| Has the relevant disclosure been completed for a consolidated head company or a subsidiary member thereof where the subsidiary member is completing a part year return?  (Refer to the ATO’s income tax returns and consolidation instructions) |  | |  |  |
| Comments: | | | | |
| Interposed Entity Selection Status (Item 4) | | | | |
| Has the company made an interposed entity election (IEE)?  Note: a company may be required to make an IEE to be included in the family group of a trust that has made a family trust election. Where a trust that has made a family trust election distributes income or capital to a company which is not part of the family group that has not made an IEE, the distribution may be subject to family trust distributions tax (FTDT), a tax of 49% levied on the trustee of the family trust. Note that distributions by a company that has made an IEE of income to entities outside the family group may also attract FTDT. | |  |  |  |
| Comments: | | | | |
| Taxation of Financial Arrangements (TOFA) (Items 7E and 7W) | | | | |
| Has the company correctly calculated its TOFA gains, TOFA losses or TOFA transitional balancing adjustments (if applicable)?  Assuming yes, please consider the TOFA disclosures to be made at items 7 and 8 and the international dealing schedule (if applicable).  **Note**: the TOFA rules apply to the following entities:   * authorised deposit-taking institutions, securitisation vehicles, and financial sector entities with an aggregated turnover of $20 million or more * managed investment schemes or entities with a similar status under foreign law relating to corporate regulations with assets of $100 million or more * any other entity (excluding individuals) which satisfies one or more of the following:   + an aggregated turnover of $100 million or more   + assets of $300 million or more or   + financial assets of $100 million or more.   The aggregated turnover test includes the annual turnover of any entity a company is connected with, or any affiliate of the company (including foreign resident companies and trusts). | |  |  |  |
| Financial and Other Information (Item 8) | | | | |
| Have all the appropriate disclosures been made at Item 8? | |  |  |  |
| Where applicable, has the company disclosed debit loans provided during the year to shareholders or associates of shareholders who are natural persons, partnerships or trusts? (Item 8 label N) | |  |  |  |
| Has the company disclosed all payments made during the year (including salaries, wages, commissions, superannuation contributions and allowances) to related persons? (Item 8 label Q) | |  |  |  |
| Have total salary and wages expenditure been disclosed and reconciled to Label W1 on the BAS? | |  |  |  |
| Has the gains and losses from financial arrangements (that are subject to TOFA) been disclosed at item 8S, 8T and 8U been reconciled to items 7E and 7W? | |  |  |  |
| Capital Allowance (Item 9) | | | | |
| Did the company hold any depreciating assets (tangible or intangible) during the year? If so, have the appropriate disclosures been made in relation to the company’s capital allowances? | |  |  |  |

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| **Tax Return Form Completion** | **Yes** | **No** | | | **N/A** |
| Small Business Entity Simplified Depreciation (Item 10) | | | | | |
| Is the company a small business entity? If so, have the appropriate small business entity depreciating assets and small business depreciation claim been disclosed? |  | |  |  | |
| Consolidation Deductions Relating to Rights to Future Income, Consumable Stores and Work in Progress (Item 11) | | | | | |
| For consolidated groups, have there been any deductions claimed for the 2016 income year relating to rights to future income, consumable stores and work in progress?  The categories for the above deductions should be classified and disclosed as follows:   * pre rules deductions (arising before 12 May 2010) * interim rules deduction (arising between 12 May 2010 and 30 March 2011) * prospective rule deductions (arising after 31 March 2011) |  | |  |  | |
| National Rental Affordability Scheme (Item 12) | | | | | |
| Has the entity derived rent in respect of dwelling from renting it on an affordable housing basis under the NRAS for the income year? |  | |  |  | |
| Has the entity been issued with a certificate by the Secretary of the Department of Social Security under the NRAS?  Note: only entities who have obtained this certificate are entitled to the refundable tax offsets. |  | |  |  | |
| Losses Information (Item 13) | | | | | |
| Has the continuity of ownership and / or same business test of the company been reviewed to ensure the deductibility of a bad debt or a prior year tax loss / capital loss claimed by the company?  **Note**: consider the proposed “similar business” test for losses incurred from 1 July 2015. |  | |  |  | |
| Does the company have tax losses and net capital losses in excess of $100,000? If so, has a losses schedule or consolidated group losses schedule been completed? |  | |  |  | |
| Does the head company of a consolidated group or multiple entry consolidated group have transferred tax losses carried forward to the 2016 year greater than $100,000? If so, has a consolidated groups transferred tax losses schedule been completed? |  | |  |  | |
| Does the company have an interest in a controlled foreign company that has 2015-16 losses greater than $100,000, or has it deducted or carried forward a loss greater than $100,0000 to later income years? If so, a loss schedule must also be completed |  | |  |  | |
| Personal Services Income (Item 14) | | | | | |
| Does the income of the company include income which is an individual’s personal services income (PSI)? If yes, the company must complete the personal service income disclosures at item 14.  **Note:** PSI is included in the individual’s personal income tax return. PSI is income that is mainly a reward for an individual’s personal efforts or skills. Please refer to CPA Australia’s 2016 PSI / PSB self-assessment checklist for further information. |  | |  |  | |
| **Foreign Income Tax Offset (Item 20)** | | | | | |
| Have you worked out the amount of foreign income tax offset if applicable? |  | |  |  | |
| **Research and Development Tax Incentive (Item 21)** | | | | | |
| Have you considered whether the company is an R&D entity which is eligible for a 45% refundable R&D tax offset (i.e. applicable to entities with an aggregated annual turnover of less than $20million) or a 40% non-refundable R&D tax offset?  **Note:** where an entity’s notional R&D deductions exceed $100 million for an income year, the rate of the R&D tax offset is reduced to the company tax rate for that portion exceeding $100 million.  It should also be noted that it has been proposed that the refundable R&D tax offset be reduced to 43.5% and the non-refundable tax offset be cut to 38.5% from 1 July 2014 but legislation proposing such changes has not been passed by Parliament, and that the current offset rates therefore continue to apply. |  | |  |  | |
| Has a Research and Development Tax Incentive Schedule 2016 been prepared? This is required when Item 21 labels A or U are completed.  Note: if a R&D claim is made in relation to notional deductions ensure these amount are added back at label 7D in the reconciliation to taxable income or loss. To be eligible for the incentive, the company must be an R&D entity engaging in eligible R&D activities and have a notional R&D deduction of at least $20,000. Prior to claiming the offset, check that the company has appropriately registered its R&D activities with AusIndustry. |  | |  |  | |
| Where applicable, the company should disclose the feedstock adjustment amount that is included in its assessable income and included in item 21W (and in item 7B under “other assessable income). |  | |  |  | |
| Tax Return Form Completion | Yes | | No | N/A | |
| **Reportable Tax Position (Item 23)** |  | |  |  | |
| Has the company been notified by the ATO that it is required to lodge a Reportable Tax Position (RTP) Schedule 2016? |  | |  |  | |
| Overseas Transactions or Interests / Thin Capitalisation / Foreign Source Income (Items 24-28) | | | | | |
| Have the transfer pricing provisions in Part III Division 13 of the *Income Tax Assessment Act* *1936* and 815-A of the ITAA 1997 (and the need for commercial arm’s length principles been applied to transactions with offshore related parties) been considered? |  | |  |  | |
| 1. Was the aggregate amount of your transactions or dealings with international related parties greater than $2,000,000? |  | |  |  | |
| 1. Does the entity need to work out its maximum allowable debt (e.g. the safe harbour debt amount) under thin capitalisation provisions in Division 820 of the ITAA 1997?   **Note:** the following entities are subject to the thin capitalisation provisions:   * Australian entities with certain overseas operations, and their associate entities (outward investors) * Australian entities that are foreign controlled (inward investors) * Foreign entities with operations or investments in Australia that are claiming debt deductions (inward investors). |  | |  |  | |
| Has the entity paid any interest to overseas entities? |  | |  |  | |
| Has the entity paid any royalties to overseas entities? |  | |  |  | |
| If the answer to (a), (b), (c) or (d) is yes, has an international dealings schedule (IDS) been prepared? |  | |  |  | |
| **Comments:** | | | | | |
| Calculation Statement | | | | | |
| Have all the applicable non-refundable non-carry forward tax offsets been included (e.g. foreign income tax offset)? (Label C) |  | |  |  | |
| Have all the applicable non-refundable carry forward tax offsets been included (e.g. R&D tax offset)? (Label D) |  | |  |  | |
| Have all refundable tax offsets been included? (Label E and I) |  | |  |  | |
| Have all eligible credits been included (e.g. imputation credits)? (Label H) |  | |  |  | |
| Have all PAYG instalments paid during the year been included? (Label K) |  | |  |  | |
| Other ATO Forms / Elections | Yes | | No | N/A | |
| Tax Consolidation | | | | | |
| Is the company a member of a wholly-owned group of companies which has not consolidated? If yes, have the benefits of entering the tax consolidation regime been considered? |  | |  |  | |
| Have any members of the consolidated group left during the year and, if so, has the ATO been appropriately notified? (Note that the ATO is required to be notified within 28 days of an entity leaving the group) |  | |  |  | |
| Notices and Elections | | | | | |
| Have all the relevant notices and / or elections relied on by the entity been properly prepared? |  | |  |  | |
| Where applicable have you completed the following elections / notices?   * Dividend and Interest schedules * Capital Allowances Schedule. |  | |  |  | |
| Have all notices and / or elections, where lodgment is not required, been appropriately sighted and retained on record? |  | |  |  | |
| Other ATO Forms / Elections | Yes | | No | N/A | |
| Dividend Imputation / Franking Account | | | | | |
| Has the franking account been prepared in accordance with the simplified imputation rules? |  | |  |  | |
| Has the franking percentage applied to the first distribution been applied to all other distributions made during the period? |  | |  |  | |
| If there is greater than 20% variance of the benchmark franking percentage between franking periods has the ATO been notified? |  | |  |  | |
| Is there a franking deficit at year end? If so, is the company aware that a franking account return must be lodged together with franking deficit tax payable within a month of the end of the franking year? |  | |  |  | |
| Has the 45/90 day rule been considered in relation to dividends received by the company? |  | |  |  | |
| International Dealings Schedule | | | | | |
| Has all assessable foreign sourced income been identified and returned as assessable income? If so, has foreign income been grossed up for the appropriate taxes? |  | |  |  | |
| Has withholding tax been deducted from interest, royalties and unfranked dividends paid to non-residents or offshore / foreign ‘branches’ of resident companies during the year? |  | |  |  | |
| Have management fees, software licence fees etc. paid to overseas entities been examined to determine whether they are within the definition of royalties? |  | |  |  | |
| Have insurance premiums been paid by the entity to non-resident insurers? If so, has the appropriate amount been deducted and a return been furnished in respect of the foreign premiums as required under Division 15 of the *Income Tax Assessment Act 1936*? |  | |  |  | |
| Have you considered the CFC rules in relation to the attribution of income? |  | |  |  | |
| Have you considered the ‘transferor trust’ rules in relation to the attribution of income? |  | |  |  | |
| General Value Shifting Regime | | | | | |
| Have the value shifting rules been considered in respect of:   * any acquisitions or disposals of equity or debt interests in the company (or the company’s subsidiaries, if appropriate) * creation of rights in non-depreciating assets * non-arm’s length dealings with related parties? |  | |  |  | |
| Other Tax Issues | | | | | |
| Do the totals in the BAS’s of the company correspond to the accounts of the company? |  | |  |  | |
| Has the carry forward action sheet (attached to this checklist) been completed? |  | |  |  | |

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| Entity’s Name |  | Initial | Date |
| Preparer | |  |  |
| Reviewer | |  |  |
| Partner | |  |  |

**Year ended 30 June 2016**

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| --- | --- | --- | --- | --- |
| Carry Forward Action Sheet | | | | |
| Date | Item Carried Forward | $ | Working Paper Ref | Checked By |
|  | Net revenue losses carried forward |  |  |  |
|  | Net capital losses carried forward |  |  |  |
|  | CGT small business rollover amount |  |  |  |
|  | Other CGT rollover |  |  |  |
|  | Other assessable income amount |  |  |  |
|  | Other deductible expenses (i.e. prepayments) |  |  |  |
|  | Franking amount balance |  |  |  |
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| Points for Partner Review | | |
| Date | Review Point | Checked By |
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