Company Tax Return Preparation Checklist 2019

COMPANY TAX

RETURN PREPARATION

CHECKLIST 2021

This checklist will assist public practice members in discharging their obligations in preparing 2021 company tax returns.

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 but is not designed to be an exhaustive list of all issues that may warrant consideration.

This information is based on legislation current as at 4 June 2021.

**About the author**

This checklist was prepared by Moore Australia (Vic) Pty Ltd on behalf of CPA Australia.

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| **ENTITY’S NAME** |  |

| PRIOR YEAR TAX RETURN CONSIDERATIONS | YES | NO | N/A |
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| 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 software development pool or blackhole expenditure deductible in accordance with section 40-880 of the *Income Tax Assessment Act 1997 (ITAA 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, asset 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, provision for warranties 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 under Taxation Ruling IT 2625 and accrued superannuation expenditure)? |  |  |  |
| Have sundry debtors been reviewed for prepayments and accrued income (e.g. interest receivable)? |  |  |  |
| Has accrued Fringe Benefits Tax (FBT) been correctly calculated on the basis that a deduction is being claimed for the FBT instalment referable to the June 2021 quarter and an amount added-back of the FBT instalment referable to the June 2020 quarter if claimed in the prior year (as per Taxation Ruling TR 95/24)?  For more information **r**efer to CPA Australia’s [2021 FBT checklist](https://www.cpaaustralia.com.au/-/media/project/cpa/corporate/documents/tools-and-resources/taxation/2021-fbt-checklist.docx). |  |  |  |
| DIVISION 7A | | | |
| For private companies, have loans, payments and debt forgiveness to shareholders or their associates (or former shareholders and their associates) been considered for Division 7A purposes? If Division 7A applies, refer to CPA Australia’s [Division 7A checklist](https://www.cpaaustralia.com.au/-/media/project/cpa/corporate/documents/tools-and-resources/taxation/division-7a-checklist-detailed-with-instructions-2021.docx).  Be aware of announced but not enacted changes to Division 7A when undertaking tax planning. |  |  |  |
| PREPAYMENTS | | | |
| Have all prepayments of less than $1,000 (GST exclusive) been claimed as an immediate tax deduction? |  |  |  |
| Have all prepayments required to be made by a Commonwealth, State or Territory law or under an order of a court (e.g. prepaid Workcover expenditure) been claimed as an immediate tax deduction? |  |  |  |
| Have all prepayments of more than $1,000 (GST exclusive) which were not required to be made under a Commonwealth, State or Territory law or a court order been capitalised and apportioned over the eligible service period to which the prepayment relates? |  |  |  |

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| **STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)** | **YES** | **NO** | **N/A** |
| PREPAYMENTS | | | |
| Where the company is a Small Business Entity (SBE), is an immediate deduction available under the 12-month rule where the eligible service period is 12 months or less?  For prepayments made from 1 July 2020, an entity will be regarded as an SBE for the year ended 30 June 2021 if it carries on business in the 2021 year, and its aggregated turnover was less than $10 million for the year ended 30 June 2020 or its aggregated turnover is likely to be less than $10 million in the 2021 year. The aggregated turnover test not only requires the calculation of the taxpayer’s annual turnover but also that of any affiliate or entity connected with the taxpayer at any time during the year.  As part of the 2020/21 Federal Budget, the small business tax concessions were expanded and as such, businesses with an aggregated annual turnover between $10 million and less than $50 million are eligible for an immediate deduction under the 12-month prepayment rule for prepaid expenses made from 1 July 2020. |  |  |  |
| 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? Should the valuation method be reviewed to either defer or bring forward assessable income?  Consider the benefits of revaluing closing value of trading stock at year end using the lower of cost, market selling value or replacement value if seeking to reduce taxable income. This choice is available in relation to each item or category of trading stock. |  |  |  |
| 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 *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? (see Taxation Ruling TR 93/23) |  |  |  |
| INTELLECTUAL PROPERTY | | | |
| Have you considered the depreciation rules for certain intellectual property (e.g. certain patents and copyrights) under section 40-95(7) of the *ITAA 1997*? |  |  |  |
| DEBT / EQUITY | | | |
| Has the application of the Debt / Equity rules under Subdivision 974-B of the *ITAA 1997* been considered for all related party loan interests, hybrid securities and other financial instruments issued by the company? If so, has the characterisation of the financial arrangement as being a debt or equity interest been considered for income tax purposes?  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. It is necessary to annually review the company’s turnover to determine if the at call loan should be treated as debt or equity for tax purposes. |  |  |  |
| Comments: | | | |
| STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS) | YES | NO | N/A |
| GENERAL | | | |
| Have you considered whether accounting net profit/loss before tax (Item 6 Label T) reconciles to the profit and loss statement? If these do not reconcile, determine the nature of the difference(s). |  |  |  |
| Have expenses in the detailed profit and loss statement 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? |  |  |  |
| Have all timing differences been identified such as foreign exchange gains and losses which are only generally recognised when realised for non-Taxation of financial arrangements (TOFA) entities? |  |  |  |
| If the ATO notified you of a Shortfall Interest Charge (SIC) or General Interest Charge (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 income? |  |  |  |
| 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 Tax File Number (TFN) withholding tax deducted and a credit claimed in respect of 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, exempt foreign branch income or cash flow boost payments)? |  |  |  |
| 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?  Review any deferred income or other creditors shown in the balance sheet to ensure that there is no income which needs to be recognised as being derived for income tax purposes applying the principle in *Arthur Murray (NSW) Pty Ltd v FCT (1965) 114 CLR 314.* |  |  |  |
| 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 (if applicable)? |  |  |  |
| 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 calculated on an arm’s length basis and supported by appropriate documentation? |  |  |  |

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| **STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS)** | **YES** | **NO** | **N/A** |
| GENERAL | | | |
| Where the company is carrying on a professional services business, does it have a service trust? Is the service fee charged deductible under section 8-1 of the *ITAA 1997* in accordance with the principles set out in Taxation Ruling TR 2006/2*?*  ATO guidance, *‘*[Your service entity arrangements](https://www.ato.gov.au/Print-publications/Your-service-entity-arrangements/)*’* provides practical guidance as to whether the fees charged under a service arrangement are commercially realistic and reasonably connected to the business carried on by the professional practice including a range of ‘safe harbour’ commercial rates that could be applied as a mark-up on the cost of providing particular services. |  |  |  |
| Payments made or non-cash benefits provided on or after 1 July 2019 to an employee, director, religious practitioner or under a labour hire agreement are not deductible if the payer fails to withhold (or in the case of a non-cash benefit pay an amount), under the PAYG withholding system or fails to notify the ATO where required to do so. |  |  |  |
| JobKeeper Payments received by the company are assessable income and amounts paid to employees are deductible if the general requirements for deductibility are satisfied. |  |  |  |
| All payments under the JobMaker Hiring Credit Scheme are assessable as ordinary income. Normal deductions apply for amounts paid to employees if those amounts are subsidised by JobMaker Hiring Credits. |  |  |  |
| DECLINE IN VALUE (DEPRECIATION) | | | |
| Important note for 2021 ITRs:  It is expected most assets would be eligible for immediate write-off under either the temporary full expensing (TFE), instant asset write-off (IAWO) or backing business investment (BBI) measures.  The ATO has prepared a useful guide on the application of the depreciation measures available [here](https://www.ato.gov.au/uploadedFiles/Content/SME/downloads/Interaction_of_tax_depreciation_incentives.pdf) and further information has been provided below.  The questions below should still be considered in the event that the assets are not eligible for immediate write-off. |  |  |  |
| **Temporary full expensing**  Has TFE been considered in respect of eligible assets?  The TFE rules allow eligible businesses to deduct the full cost of eligible depreciating assets as well as the full amount of the second element of the cost e.g. amounts to bring the depreciating asset into its present condition and location.  *Eligible businesses*  A business qualifies for TFE if it is an SBE or has an annual aggregated turnover under $5 billion.  The aggregated turnover test not only requires the calculation of the taxpayer’s annual turnover but also that of any affiliate or entity connected with the taxpayer at any time during the year.  Where a corporate tax entity does not meet the above criteria, it may still qualify for TFE if it satisfies the alternative test.  A corporate tax entity satisfies the alternative test for an income year if:   * The entity’s total ordinary and statutory income other than non-assessable non-exempt income is less than $5 billion for either the 2018-19 or the 2019-20 income year, and * The total cost of certain depreciating assets first held and used, or first installed and ready for use for taxable purpose in the 2016-17, 2017-18 and 2018-19 income years (combined) exceeds $100 million.   The alternative test applies to very few entities and therefore has not been considered here any further. If it may apply, refer to the [ATO website](https://www.ato.gov.au/Business/Depreciation-and-capital-expenses-and-allowances/Temporary-full-expensing/#:~:text=Alternative%20income%20test,-Corporate%20tax%20entities&text=their%20total%20ordinary%20income%20and,or%20before%206%20October%202020)) for further information.  *Eligible assets*  To be eligible for TFE, a depreciating asset must be:   * First held and first used or installed for use for a taxable purpose between 7.30 pm AEDT on 6 October 2020 (the Budget time) and 30 June 2022, and * Located in Australia and principally used in Australia for the principal purpose of carrying on a business.   TFE is not available if the depreciating asset is:   * Excluded from the capital allowance rules in Division 40 of the *ITAA 1997* (such as building or other capital works) * Allocated to a low-value pool or a software development pool or * Deductible to the entity or another entity under the primary production depreciation rules; or * A balancing adjustment event happens to the asset in the current year (for example, it is not sold in the year in which the full expensing is applied).   Where the entity has an aggregated turnover of $50 million or more, a depreciating asset is excluded from TFE (in addition to the above exclusions) where:   * The entity entered into a commitment to hold, construct or use the asset before the Budget time or * The asset is a secondhand asset. |  |  |  |
| In addition to these excluded assets, where an entity is only eligible for TFE under the alternative income test, a deduction cannot be claimed for the following assets (in addition to the above exclusions):   * Intangible assets * Assets previously held by the entity’s associates, and * Assets available for use at any time in the income year by the entity’s associates or entities that are foreign residents.   *Amount of deduction*  Where TFE applies, the amount that is deductible for the income year (i.e. the decline in value) depends on when the asset starts to be used or installed ready for use for a taxable purpose, as outlined below:   |  |  |  | | --- | --- | --- | | **Start to be used for taxable purpose** | **Amount of decline** | **Example** | | Asset held after the Budget time and started to be used for a taxable purpose in the **same income year.** | Sum of the cost of the asset and amount paid during the income year to bring the asset to its present condition and location, such as the cost of improvements (the second element of cost). | Entity starts to hold and use (or installed ready for use for a taxable purpose) an eligible depreciating asset between the Budget time and 30 June 2021 it can deduct the full cost (including the second element of cost of the asset in the 2020-21 income year). | | Asset held after the Budget time and start to be used for taxable purpose in a **later income year.** | Sum of the assets opening adjustable value for that later income year and the amount included in the second element of cost in that later income year. | Entity starts to hold an eligible depreciating asset between the Budget time and 30 June 2021 but doesn’t start to use the asset or have it installed ready for use for a taxable purpose until after 1 July 2021. The entity will be able to deduct the full cost (including the second element of cost) of the asset in the 2021-22 income year, less any decline in value in the 2020-21 income year for any non-taxable use in the 2020-21 income year. | | Assets held after the Budget time where **balancing adjustment happens in the same income year.** | No deduction allowed. | Entity starts to hold an eligible depreciating asset between the Budget time and disposes of the asset prior to 30 June 2021. |   *SBEs that choose to apply the simplified depreciation rules*  SBEs that apply the simplified depreciation rules can deduct:   * The full cost of eligible depreciating assets that are first held and used or installed ready for a taxable purpose between the Budget time and 30 June 2022 (to be extended to 30 June 2023 as announced in the 2021-22 Federal Budget) * The second element of the cost of existing eligible depreciating assets incurred during this period and * The balance of the general small business pool at the end of the income year (for income years ending between 6 October 2020 and 30 June 2023).   *Balancing adjustment event*  Where a depreciating asset has its decline in value worked out under the TFE rules and subsequently:   * Is not used principally in Australia (e.g. where an asset was intended to be relocated in Australia for business use but this does not occur); or * Ceases to be used for principal purpose of carrying on a business (e.g. if it is applied for private use)   a balancing adjustment event occurs.  If such a balancing adjustment event occurs:   * The TFE deduction is clawed back; * The first element of the cost of the depreciating asset is the asset’s termination value at the time of the event; and * The TFE rules no longer apply to work out the decline in value of that asset for a later income year (albeit, the entity may claim any other capital allowance it is entitled to for that asset).   *Opting out*   * An entity can make a choice to opt-out of TFE for an income year on an asset-by-asset basis. The choice is unchangeable and must be made in an approved form by the day that the income tax return is lodged for the income year to which the choice relates. |  |  |  |
| **Enhanced instant asset write-off**  Has the enhanced instant asset write-off been claimed in respect of eligible assets?  Where a depreciating asset is not eligible for TFE (or the entity has opted out of the TFE for that particular depreciating asset), the enhanced instant asset write-off may apply or will continue to apply to the asset.  Under the enhanced instant asset write-off, SBEs that choose to apply the simplified depreciation rules can deduct the full cost of a depreciating asset that costs less than $150,000 if:   * The asset is first acquired after 7.30pm on 12 May 2015; and * The asset is first used or installed ready for use between 12 March 2020 and 30 June 2021 (extended from 31 December 2020).   SBEs that choose to apply the simplified depreciation rules can **also** deduct:   * The second element of cost of depreciating assets (up to $150,000) incurred in the period; and * The general small business pool at the end of an income year provided that it is less than $150,000 in this period.   It is noted that SBEs must apply the simplified depreciation rules in order to claim the enhanced instant-asset write-off.  Medium and larger sized business with an aggregated turnover of between $10 million and $500 million can continue to deduct the full cost of a depreciating asset under the enhanced instant asset write-off if the depreciating asset is not eligible for TFE (or the entity has opted out of the TFE for that particular depreciating asset).  Medium and larger sized businesses can deduct the full cost of a depreciating asset that costs than $150,000 if:   * The asset is first acquired after 7.30 pm on 2 April 2019; and * The asset is first used or installed ready for use between 12 March 2020 and 31 June 2021 (extended from 31 December 2020).   Medium and larger sized businesses can also deduct the first amount of the second element of cost, up to $150,000, that is incurred after the income year in which the asset was used or installed ready for use and is incurred in the period.  Where the cost of the eligible depreciating asset is not eligible for TFE or instant asset write-off, consider whether the entity is eligible for accelerated deduction under the Backing Business Investment accelerated depreciation measure (see below). |  |  |  |
| **Backing business investment**  Consider whether the taxpayer is eligible for Backing business investment (BBI) accelerated depreciation deductions on purchase of new assets that are ineligible for TFE or instant asset write-off  Entities with an aggregated turnover of less than $500 million in an income year may be eligible for accelerated depreciation if the entity starts to hold the asset and the asset was first used or installed ready for use for taxable purposes between 12 March 2020 and 30 June 2021 (inclusive).  An asset does not qualify where:   * A commitment to the asset was entered into before 12 March 2020 * The instant asset write-off, TFE or depreciation deductions have been applied to the asset * It relates to buildings or capital works where an amount can be deducted under Division 43 * It is a second-hand depreciating asset or * The asset is not in Australia, or will not be used for the principal purpose of carrying on a business in Australia.   The amount an entity can deduct will depend whether the entity is using the simplified depreciation rules.  For entities that are **not** using the simplified depreciation rules, the amount that the entity can deduct in an income year the asset is first used installed ready for use is 50% of the cost of the depreciating asset in addition to the usual depreciation deductions that would otherwise apply, worked out as if the cost or adjustable value of the asset were reduced by 50%.  SBEs that use the simplified depreciation rules will need to add the general small business pool assets that:   * Cost $150,000 or more (instant asset write-off applies to assets that costs less than this) * Are eligible for BBI and * Are not eligible for TFE.   These SBEs can deduct an amount equal to 57.5% (rather than 15%) of the cost (or adjustable value) of a qualifying depreciating asset added to the general small business pool where the asset is held and used or installed ready for use between 12 March 2020 and 30 June 2021 inclusive).  *Opting out*  An entity can make a choice to opt-out of BBI for an income year on an asset-by-asset basis (unless the entity is using the simplified depreciation rules). The choice is unchangeable and must be made in an approved form by the day that the income tax return is lodged for the income year to which the choice relates. |  |  |  |
| Where the entity is an SBE that chooses to apply the simplified depreciation rules and the deprecating assets are not eligible for the instant asset write off or the backing business investment accelerated depreciation deductions above, the asset can be allocated to the general small business pool and depreciated at a rate of 15% provided the asset starts to be used or is installed ready for use before 6 October 2020. Likewise, any second element costs incurred before 6 October exceeding the threshold and in respect of an asset that has been pooled in an earlier year will similarly be depreciated at a rate of 15%. For assets included in the pool at the start of the 2020 year the opening pool balance will be depreciated by 30%. Finally, where a balancing adjustment occurs, the asset’s termination value must be deducted from the pool. This applies for the period 1 July 2020 to 7.30pm on 6 October 2020.  For assets first held and installed ready for use from 6 October 2020 to 30 June 2022, an SBE is required to immediately deduct:   * The full cost of eligible depreciating assets that are first held and used ready for taxable purpose during this period; and * The second element of the cost of these assets of these assets of existing eligible depreciating assets incurred during this period; and * The balance of their general small business pool. |
| **Other issues related to depreciation** |  |  |  |
| Have you ensured this year’s tax opening adjustable value agrees to last year’s closing adjustable value? |  |  |  |
| Has the effective life of new additions been reviewed, applying Taxation Ruling TR 2020/3?  Is there merit in self-assessing the effective life of any acquired depreciating assets during the year, (and if so, has any documentation been retained to justify any shorter effective life applied, and disclosure been made in the return)? In determining whether to self-assess the effective life be mindful of assets where this is not allowable, e.g. certain intangible assets in section 40-95(7) of the *ITAA 1997.* It was announced in the 2021-22 Federal Budget that self-assessment of intangible assets will be permitted for assets acquired from 1 July 2023 after temporary full expensing has concluded. |  |  |  |
| Have additions been reviewed to ensure depreciation has been correctly claimed on depreciating assets? Have additions for accounting and tax purposes been reconciled? |  |  |  |
| Has the balancing adjustment on disposed or scrapped assets been reviewed? Has any salvage value been included in assessable income? |  |  |  |
| Has the company stopped using a depreciating asset which has not otherwise been sold or physically scrapped during the 2021 year, in which case a balancing adjustment deduction may be available? |  |  |  |
| Have improvements to depreciating assets been expensed for accounting purposes as repairs, been capitalised for tax purposes and included as additions to the tax fixed assets schedule and depreciated? |  |  |  |
| Has the motor vehicle depreciation cost limit of $59,136 been applied when calculating depreciation on a car acquired during the 2021 year 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 construction of income-producing buildings or for building extensions, alterations and improvements, is a capital works deduction available under Division 43 of the *ITAA 1997*? |  |  |  |
| Have repairs to buildings which have been expensed for accounting purposes constitute alterations, improvements or extensions to existing buildings which would constitute deductible capital works expenditure under Division 43 of the *ITAA 1997*? |  |  |  |
| Is capital expenditure relating to buildings being correctly claimed at the rate of 2.5% or 4% (which will differ depending on when the construction expenditure was incurred and whether it relates to industrial buildings)? |  |  |  |
| Can the company write-off the cost of any structural improvements or environment protection earthworks under Division 43 of the *ITAA 1997*? |  |  |  |
| Has the company allocated expenditure incurred on the development of in-house software which is used solely for a taxable purpose to a software development pool rather than wait until the software is created and used or held ready for use as a depreciating asset? Taxpayers are required to create a separate software development pool for each income year for which they incur expenditure on in-house software.  Where such expenditure is incurred on or after 1 July 2015, no deduction can be claimed in the first year the expenditure is incurred but such costs will be deductible at a rate of 30% in years two to four and a rate of 10% in year five. |  |  |  |
| Have the blackhole expenditure rules in section 40-880 of the *ITAA 1997* been considered in respect of any business capital expenditure incurred during the year? Such expenditure may be regarded as eligible blackhole expenditure where it is not deductible, depreciable or included in the cost base of a CGT asset. Eligible blackhole expenditure is deductible over five years in equal proportions (and there is no pro-rating of the deduction in the year the expenditure is incurred by the taxpayer).  It may be available in relation to the taxpayer’s business or in respect of a former business that used to be carried on or in respect of a business that is proposed to be carried on provided there is a sufficient and relevant connection between the expenditure incurred and the business carried on (see Taxation Ruling TR 2011/6).  Section 40-880(5) of the *ITAA 1997* also provides that no deduction is available under the blackhole deductibility rules where, amongst other things, the expenditureforms part of the cost of land or depreciating asset; it would be taken into account in working out an assessable profit, a deductible loss, a capital gain or a capital loss; it relates to a lease or other legal or equitable right; or if it is deductible under another provision of the income tax assessment acts.  There is a 100% immediate write off available to an SBE for capital expenditure incurred in relation to a proposed business structure or operation where the costs are incurred on or after 1 July 2015 by an SBE that is not carrying on a business in that income year. Eligible start-up costs which can be written off include, amongst others, legal and accounting advice on how the business can best be structured and implemented.  As part of the 2020-21 Budget, the small business tax concessions were expanded and as such, businesses with an aggregated annual turnover between $10 million and less than $50 million are also eligible for an immediate deduction for the eligible start-up costs incurred from 1 July 2020. |  |  |  |
| Disclosures are required to be made at Items 9 and 10 of the income tax return in relation to depreciating assets and depreciation claimed. There are a number of new labels in the 2021 income tax return to deal with the various immediate write-off measures. |  |  |  |

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| **STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS)** | **YES** | **NO** | **N/A** |
| NON-RESIDENT COMPANIES | | | |
| Has the residency status of the company been determined? Where the company is a non-resident the matters listed below should be considered.  Taxation Ruling TR 2018/5 set out the Commissioner’s view on how to apply the central management and control (CM&C) test in determining the residency status of a company underthedefinition of a ‘resident’ company under section 6(1) of the *Income Tax Assessment Act 1936 (ITAA 1936).*  Practical Compliance Guideline PCG 2018/9 contains practical guidance to assist in applying the principles set out in Taxation Ruling TR 2018/5.  Note the ATO will not apply compliance resources to determine if a company's CM&C is in Australia if a foreign incorporated company is required to hold board meetings in Australia, or if directors are required to attend board meetings from Australia because of COVID-19 travel restrictions.  Technical amendments were announced in the 2020-21 Federal Budget to clarify the corporate residency test. The amendments will provide that a company that is incorporated offshore will be treated as an Australian resident for tax purposes if it has a ‘significant economic connection to Australia’. This will be satisfied where the company’s:   * core commercial activities are undertaken in Australia and * CM&C is in Australia.   The amendments will apply to the first income year after Royal Assent. However, companies can opt to apply the new law from 15 March 2017, being the date the ATO withdrew Taxation Ruling TR 2004/15. |  |  |  |
| 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 establishments? |  |  |  |
| 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 property by a foreign resident company been considered? |  |  |  |
| SUPERANNUATION | | | |
| Have all superannuation contributions claimed for the year been received by a complying 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 (SG) Scheme? |  |  |  |
| Has an SG charge (SGC) 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 SG charge, the offset amount is not deductible.  It should be noted that directors of a company can be held personally liable for unpaid superannuation guarantee amounts. |  |  |  |
| Did the client apply for the SG amnesty which allowed the employer to disclose and pay previously unpaid SGC, including nominal interest that they owe their employees for the quarter/s starting from 1 July 1992 to 31 March 2018. This allowed employers to self-correct past non-compliance with SG without the usual penalty regime and allowed a deduction for SCC payments (but not penalties). The SG amnesty ended on 7 September 2020. |  |  |  |
| CAPITAL GAINS TAX (CGT) | | | |
| Have all capital gains arising under the CGT provisions for the 2021 year been correctly identified?  Are any of these capital gains exempt? |  |  |  |
| Did the company apply any CGT rollover relief in respect of disposals of CGT assets during the 2021 year?  A company which is a SBE may apply small business CGT restructure rollover relief where the eligibility conditions set out in Subdivision 328-G of the *ITAA 1997* have been satisfied. A company will be a small business entity for these purposes for the 2020 year where it carries on business and its aggregated turnover is less than $10 million. |  |  |  |

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| **STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS)** | **YES** | **NO** | **N/A** |
| CAPITAL GAINS TAX (CGT) | | | |
| Have all elements of the cost base of a CGT asset be considered in relation to any CGT event occurring in relation to that CGT asset for the year ended 30 June 2021? In particular, have all eligible incidental costs on acquisition and disposal be considered as well as any capital improvements in the cost base of the asset? Does the market valuation substitution rule, or any other cost base modifications apply? |  |  |  |
| Are the capital proceeds received on the disposal of the CGT asset under CGT event being correctly determined? Does the market value substitution rule or other modifications to capital proceeds apply? |  |  |  |
| Where pre-CGT acquired assets were sold during the 2021 year were there any sales of related separate post CGT assets (particularly taking into account the 2021 CGT improvement threshold of $155,849? |  |  |  |
| Have all capital gains calculations been reviewed for their correctness? |  |  |  |
| Have 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 changeover time (i.e. change in the ownership or control of the company)?  The purpose of Subdivision 165-CC of the *ITAA 1997* is to restrict the availability of a capital loss, deduction or trading stock loss where there is a change of majority ownership or control of the company which earlier made an unrealised loss in respect of a CGT asset. Where there is an unrealised net loss at the changeover time, any capital loss, deduction or trading stock loss subsequently made by the company in respect of a CGT event on the happening of a CGT event will be disallowed up to the amount of the unrealised loss unless the company satisfies the business continuity test (BCT) for the period immediately before the changeover time to the period in which the capital loss or deduction is recouped. |  |  |  |
| Have you considered whether capital gains may be able to be reduced, eliminated or deferred in accordance with the small business CGT (SBCGT) concessions? Eligibility conditions must be met in order for a capital gain to be reduced under the SBCGT concessions. For more information refer to CPA Australia’s [2021 Tax preparation checklist](https://www.cpaaustralia.com.au/-/media/project/cpa/corporate/documents/tools-and-resources/taxation/2021-tax-preparation-checklist.docx). |  |  |  |
| Has any sale consideration been received during the year under an eligible earnout arrangement relating to the prior year disposal of a CGT active asset in which case the consideration received is disregarded in the 2021 year but will form part of the capital proceeds relating to the disposal of that asset in that earlier year? Care should be taken to ensure that all the requirements of being an eligible earnout arrangement under Subdivision 118-I of the *ITAA 1997* are satisfied. |  |  |  |
| Have you considered whether capital gains made in relation to shares in foreign companies can be reduced or 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? Further guidance as to when repair expenditure will be deductible under section 25-10 of the *ITAA 1997* is set out in Taxation Ruling TR 97/23. An amount will not be regarded as being a deductible repair where it constitutes capital expenditure relating to the replacement of an entire asset (as opposed to part of an asset), a capital improvement or an initial repair. |  |  |  |
| TAXATION OF FINANCIAL ARRANGEMENTS (TOFA) | | | |
| Have you considered the application of TOFA rules to the company? |  |  |  |
| Has the disclosure at item 7E and 7W regarding TOFA gains and losses not included in the Profit & Loss for the company been reconciled to the 'Financial and other income disclosures' at item 8T and 8U? |  |  |  |

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| **STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS)** | **YES** | | **NO** | | **N/A** | |
| BAD DEBTS | | | | | | |
| Have bad debts written off during the year been claimed as a tax deduction? Is there documentation on file evidencing the company’s inability to collect the debt? |  | |  | |  | |
| Have any of these debts been compromised or released before being written off in which case a bad debt deduction will not be available? |  | |  | |  | |
| 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, confirming that the debt is irrecoverable? * 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 (COT), the Same Business Test (SBT) or the Similar Business Test (as applicable) during the period from when the debt was created to when the debt is proposed to be written off as bad? |  | |  | |  | |
| **Comments:** | | | | | | |
| 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 [consolidation reference manual](https://www.ato.gov.au/business/consolidation/in-detail/consolidation-reference-manual/). |  | |  | |  | |
| Comments: | | | | | | |
| INTERPOSED ENTITY SELECTION STATUS (ITEM 4) | | | | | | |
| Has the company made an interposed entity election (IEE)?  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 and has not made an IEE, the distribution may be subject to family trust distributions tax (FTDT), which is currently levied at a rate of 47% on the trustee of the family trust. Subsequent distributions by a company that has made an IEE of income to entities outside the family group may also attract FTDT. |  | |  | |  | |
| Comments: | | | | | | |
| TOFA (ITEMS 7E and 7W of reconciliation of taxable income or loss) | | | | | | |
| Has the company correctly calculated its TOFA gains, TOFA losses or TOFA transitional balancing adjustments (if applicable)?  If yes, consider the TOFA disclosures to be made at items 7 and 8 and the International Dealings Schedule 2021 (if applicable). | |  | |  | |  |

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| **TAX RETURN FORM COMPLETION** | **YES** | **NO** | **N/A** |
| TOFA (ITEMS 7E and 7W of reconciliation of taxable income or loss continued) | | | |
| 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 * a superannuation entity, a managed investment schemes or a similar status under a foreign law if the value of the entity’s assets is $100 million or more * any other entity (excluding an individual) 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.   If the company has previously been subject to TOFA, this does not change if the thresholds above are no longer satisfied.  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).  An entity that is not mandatorily subject to TOFA can make an election to have TOFA apply to its financial arrangements. An election for TOFA to apply can be made at any time during the income tax year and applies from the first day of the income year in which election is made. TOFA elections are complex and cannot be revoked. Care should be taken before such an election is made. |  |  |  |
| Comments: | | | |
| FINANCIAL AND OTHER INFORMATION (ITEM 8) | | | |
| Have all the appropriate disclosures been made at Item 8? |  |  |  |
| From the 2021 income year it is necessary to disclose the aggregated turnover of the entity and the aggregated turnover range, if the company is claiming TFE, loss carry back, BBI, IAWO or any of the small business entity concessions. |  |  |  |
| 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? (Label 8N) |  |  |  |
| Where applicable, has the company disclosed all payments made during the year (including salaries, wages, commissions, superannuation contributions and allowances) to related persons? (Label 8Q) |  |  |  |
| Has total salary and wages expenditure been disclosed and reconciled to Label W1 on the BAS? |  |  |  |
| Have the gains and losses from financial arrangements (that are subject to TOFA) been disclosed at Labels 8S, 8T and 8U been reconciled to Labels 7E and 7W? |  |  |  |
| Comments: | | | |
| CAPITAL ALLOWANCES (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? Note there are new disclosures in 2021 in relation to TFE and BBI. |  |  |  |
| Comments: | | | |

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| SMALL BUSINESS ENTITY SIMPLIFIED DEPRECIATION (ITEM 10) | | | |
| Is the company a small business entity? If so, have the appropriate small business entity depreciation deductions been disclosed? Refer to the above section under ‘decline in value’ for further information. |  |  |  |
| **TAX RETURN FORM COMPLETION** | **YES** | **NO** | **N/A** |
| 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 2021 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 on or after 31 March 2011). |  |  |  |
| Comments: | | | |
| NATIONAL RENTAL AFFORDABILITY SCHEME (NRAS) (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 which will entitle the company to a tax offset shown at Label J? |  |  |  |
| Has the entity been issued with a certificate by the Secretary of the Department of Social Security under the NRAS? Only entities who have obtained this certificate are entitled to the refundable tax offsets. |  |  |  |
| Comments: | | | |
| LOSSES INFORMATION (ITEM 13) | | | |
| Has the continuity of ownership, the same business test or the similar 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? |  |  |  |
| 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 2021 year greater than $100,000? If so, has a consolidated group’s losses schedule been completed? |  |  |  |
| Does the company have an interest in a controlled foreign company that has 2021 losses greater than $100,000, or has it deducted or carried forward a loss greater than $100,000 to later income years? If so, a loss schedule must also be completed. |  |  |  |
| Consider whether the company will be applying the loss carry back measure announced in the 2020-21 Federal Budget and extended in the 2021-22 Federal Budget.  The loss carry back rules provide companies with aggregated turnover of less than $5 billion the option to carry back a tax loss for the 2019-20, 2020-21, 2021-22 income years and apply it against tax paid in a previous year (as far back as the 2019 income year).  The amount of the loss carry back for the 2019-20, 2020-21 or 2021-22 income year is limited to the lessor of the amount of tax paid in earlier income years, being the 2018-19, 2019-20 or 2020-21 income years (as relevant) and the amount of the franking account balance at the end of the current income year. The losses that can be carried back are multiplied by the prevailing company tax rate in the loss year to determine the amount of the refundable tax offset.  Tax offsets can be claimed by completing section S in this item. |  |  |  |
| Comments: | | | |
| 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 PSI disclosures at item 14.  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. Refer to CPA Australia’s [2021 PSI / PSB Self-Assessment Checklist](https://www.cpaaustralia.com.au/-/media/project/cpa/corporate/documents/tools-and-resources/taxation/psi-or-psb-self-assessment-checklist-2021.docx) for further information |  |  |  |
| Comments: | | | |
| **TAX RETURN FORM COMPLETION** | **YES** | **NO** | **N/A** |
| FOREIGN INCOME TAX OFFSET (ITEM 20) | | | |
| Have you worked out the amount of foreign income tax offset if applicable? |  |  |  |
| Comments: | | | |
| RESEARCH AND DEVELOPMENT TAX INCENTIVE (ITEM 21) | | | |
| Have you considered whether the company is an R&D entity which is eligible for a 43.5% refundable R&D tax offset (i.e. applicable to certain entities with an aggregated turnover of less than $20 million) or a 38.5% non-refundable R&D tax offset (i.e. applicable to certain entities with an aggregated turnover of $20 million or more)? |  |  |  |
| Has a Research and Development Tax Incentive Schedule 2021 been prepared and lodged with the company tax return? This is required when Item 21 Labels A or U are completed.  If an R&D claim is made in relation to notional deductions, ensure these amounts 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’). |  |  |  |
| Comments: | | | |
| EARLY STAGE VENTURE CAPITAL LIMITED PARTNERSHIP (ITEM 22) | | | |
| Check to see if the company is eligible for a non-refundable Early Stage Venture Capital Limited Partnership (ESVCLP) tax offset in the 2021 year as either a limited partner of the ESVCLP or as an investor in an ESVCLP through a partnership or trust.  A summary of the various eligibility rules concerning the tax offset are available on the [ATO website](https://www.ato.gov.au/business/venture-capital-and-early-stage-venture-capital-limited-partnerships/esvclp-tax-incentives-and-concessions/).  Check to see whether there is an amount of unused ESVCLP tax offset for the year ended 30 June 2020, which may be available to be utilised where the tax offset carry forward rules under Division 65 of the *ITAA 1997* are met. |  |  |  |
| Comments: | | | |

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| **TAX RETURN FORM COMPLETION** | **YES** | **NO** | **N/A** |
| EARLY STAGE INVESTOR (ITEM 23) | | | |
| Check to see if the company is eligible for a non-refundable tax offset as an investor in a qualifying Early Stage Innovation Company (ESIC) in the 2021 year. Special rules must be met by both the investor and the ESIC before this offset will be available.  Widely held companies and their subsidiaries are not entitled to the offset. A summary of the eligibility rules are available on the [ATO website](https://www.ato.gov.au/Business/Tax-incentives-for-innovation/In-detail/Tax-incentives-for-early-stage-investors/?anchor=Qualifying_for_the_tax_incentives#Qualifying_for_the_tax_incentives).  Check to see whether there is an amount of unused early stage investor tax offset for the year ended 30 June 2019, which may be available to be utilised where the tax offset carry forward rules under Division 65 of the *ITAA 1997* are met. |  |  |  |
| **Comments:** | | | |
| REPORTABLE TAX POSITION (ITEM 25) | | | |
| Has the company been notified by the ATO that it is required to lodge a Reportable Tax Position (RTP) Schedule 2021?  The RTP schedule requires large companies to disclose their material tax positions. Further details on what constitutes a ‘reportable tax position’ can be found on the [ATO website](https://www.ato.gov.au/Forms/Reportable-tax-position-schedule-instructions-2021/?page=2#Who_needs_to_complete_the_schedule). The RTP Schedule applies to all companies in an economic group with a turnover greater than $250 million. |  |  |  |
| **Comments:** | | | |
| OVERSEAS TRANSACTIONS OR INTERESTS / THIN CAPITALISATION / FOREIGN SOURCE INCOME (ITEMS 26-30) | | | |
| Have the transfer pricing provisions in Subdivision 815-B of the *ITAA 1997* (and the need for commercial arm’s length principles been applied to cross-border transactions with international related parties) been considered? |  |  |  |
| Are the arm’s length conditions of cross-border transactions consistent with the arm’s length methodologies approved by the OECD as effectively required under section 815-135 of the *ITAA 1997?* |  |  |  |
| Has the company prepared contemporaneous documentation in respect of the arm’s length conditions of any cross-border transaction setting out the arm’s length methodology used in identifying the arm’s length conditions and pricing of such a transaction?  Does such documentation satisfy the requirements of Subdivision 284-E of Schedule 1 of the *Taxation Administration Act (TAA 1953)* and Taxation Ruling TR 2014/8? |  |  |  |
| Is the company eligible to elect to apply the simplified transfer pricing record keeping options under Practical Compliance Guideline PCG 2017/2 to reduce the amount of contemporaneous transfer pricing documentation administratively required to be retained in order to ensure that a penalty for a failure to maintain a reasonably arguable position will not be imposed? |  |  |  |
| Consider the interaction of the thin capitalisation and transfer pricing provisions under Subdivision 815-B of the *ITAA 1997* on interest claimed on any cross-border related party debt. Section 815-140 of the *ITAA 1997* provides that the transfer pricing provisions may apply to reduce any interest rate charged on related party debt to an arm’s length amount which may result in reduced debt deductions. The thin capitalisation provisions under Division 820 of the *ITAA 1997* are then applied after any transfer pricing benefit has been cancelled to determine whether an entity’s adjusted average debt exceeds its maximum allowable debt. |  |  |  |
| Is the aggregate amount of the company’s transactions or dealings with international related parties (including the value of any property transferred or the balance outstanding on any loans) greater than $2 million? If yes, has a 2021 International Dealings Schedule (IDS) been prepared? |  |  |  |

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| **TAX RETURN FORM COMPLETION** | **YES** | **NO** | **N/A** |
| OVERSEAS TRANSACTIONS OR INTERESTS / THIN CAPITALISATION / FOREIGN SOURCE INCOME (ITEMS 26-30) | | | |
| Does the company have any overseas branch operations? If yes, has a 2021 IDS been prepared? |  |  |  |
| Does the company have a direct or indirect interest in a foreign trust, foreign company, controlled foreign entity or transferor trust? If yes, has a 2021 IDS been prepared? |  |  |  |
| Do the thin capitalisation provisions apply?  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).   Check whether the outward investor’s foreign assets represent less than 10% of its total assets. If so, the exemption in section 820-37 of the *ITAA 1997* may apply.  Check whether the sum of the company’s debt deductions together with all of its associate entities is $2 million or less. If so, the exemption under section 820-35 of the *ITAA 1997* may apply. Refer to Taxation Determination TD 2019/12 for the ATO’s views as to the type of costs that are debt deductions.  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?  If the thin capitalisation rules apply, has a 2021 IDS been prepared? |  |  |  |
| Did the company directly or indirectly send to, or receive from, any funds or property from a [specified country](https://www.ato.gov.au/Forms/International-dealings-schedule-instructions-2021/?page=36#Appendix_1__Specified_countries_or_jurisdictions_names_and_codes)? Or does the company have the ability or expectation to control, whether directly or indirectly, the disposition of any funds, property, assets or investments located in, or located elsewhere but controlled or managed from one of those countries? If yes, has a 2021 IDS been prepared? |  |  |  |
| CALCULATION STATEMENT | | | |
| Is the company a base rate entity for the 2021 year? A company will be regarded as being a base rate entity if no more than 80% of the company’s assessable income comprises ‘base rate entity passive income’ (BREPI) and its ‘aggregated turnover’ is less than $50 million for the year ended 30 June 2021. For these purposes aggregated turnover is only calculated on the relevant annual turnover of the company and its affiliates and connected entities for the current year being 30 June 2021.  A company’s BREPI includes the following:   * Distributions (e.g. dividends) other than non-portfolio dividends. A non-portfolio dividend is defined under section 317 of the *ITAA 1936* to mean a dividend paid to a company where that company has a voting interest amounting to at least 10% of the voting power in the company paying the dividend * Franking credits attached to dividends * Mon-share dividends * Interest income or a payment in the nature of interest (except interest income derived by an entity which is a financial institution such as a Bank or a Co-operative Housing Society or an entity that holds an Australian credit licence or is a financial services licensee in certain circumstances) * Royalties and rent * Deferred and discounted gains on Division 16E qualifying securities * Net capital gains (as defined under section 995-1(1) of the *ITAA 1997* * Amounts included in assessable partnership or trust distributions of net income to the extent that they are attributable to BREPI under one of the preceding items which has been on-distributed to a company which is a partner in a partnership or a company which is a beneficiary of a trust. |  |  |  |

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| TAX RETURN FORM COMPLETION | YES | NO | N/A |
| CALCULATION STATEMENT | | | |
| Further guidance on the concepts of ‘base rate entity’ and BREPI can be found in Law Companion Ruling LCR 2019/5.  An amount that flows through a partnership or trust to a company (either directly or via interposed trusts or partnerships) will retain its character in the hands of the company for the purposes of determining whether or not that amount is BREPI of the company.  Accordingly, it is necessary to analyse partnership and trust distributions to determine the nature of the income which is received by the company where it is either a partner in a partnership or a beneficiary of a trust. LCR 2019/5 provides that if a company is assessed on a share of ‘net’ income of a trust or partnership it will have BREPI to the extent that the amount is included in assessable income as a trust or partnership distribution. However, where the distribution comprises a mixture of BREPI and trading income it will also be necessary to allocate expenses in a fair and reasonable way particularly in relation to indirect costs. |  |  |  |
| Is the company not a base rate entity for the 2021 year? Where the company is not a base rate entity a standard company tax rate of 30% will apply. |  |  |  |
| Have all the applicable non-refundable non-carry forward tax offsets been included (e.g. foreign income tax offset and franking credit tax offset)? (Label C) |  |  |  |
| Have all the applicable non-refundable carry forward tax offsets been included (e.g. non-refundable R&D tax offset)? (Label D) |  |  |  |
| Have all refundable tax offsets been included (e.g. refundable R&D tax offset and film tax offset)? (Label E and I) |  |  |  |
| Have all eligible credits been included (e.g. credit for TFN withholding tax)? (Label H) |  |  |  |
| Has a credit been claimed for any amount withheld under the foreign resident capital gains tax withholding rules at Label H8 in the calculation statement of the return? |  |  |  |
| Have all PAYG instalments paid during the year been included? (Label K) |  |  |  |
| **Comments:** | | | |
| 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 for tax purposes? If yes, have the benefits of entering the tax consolidation regime been considered? |  |  |  |
| Have any members of the consolidated group joined or left during the year and, if so, has the ATO been appropriately notified? The ATO is required to be notified within 28 days of an entity joining or leaving the group. |  |  |  |
| NOTICES AND ELECTIONS | | | |
| Have all the relevant notices and/or elections relied on by the entity been properly prepared? |  |  |  |

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| **OTHER ATO FORMS / ELECTIONS** | **YES** | **NO** | **N/A** |
| NOTICES AND ELECTIONS | | | |
| Where applicable, have you completed all required schedules such as dividend and interest schedules and CGT schedules, in addition to the schedules mentioned above? |  |  |  |
| Have all notices and/or elections, where lodgment is not required, been appropriately sighted and retained on record? |  |  |  |
| DIVIDEND IMPUTATION / FRANKING ACCOUNT | | | |
| Have the requirements under section 254T of the *Corporations Act 2001* been met so that dividends can be paid? Have dividend resolutions been prepared? |  |  |  |
| Has the franking account been prepared in accordance with the imputation rules? |  |  |  |
| Check to ensure that the amount of any franking credits attached to a dividend does not exceed the maximum franking credit available to be franked by the company. |  |  |  |
| Check that the company tax rate used for imputation purposes in the 2021 year has been calculated based on the company’s 2020 aggregated turnover, BREPI and assessable income which are taken to have been derived for the 2021 year for franking purposes.  Where the company had an aggregated turnover of less than $50 million and no more than 80% of that company’s assessable income is BREPI for the 2020 year it will apply the lower corporate tax rate of 26% in the 2021year for franking purposes.  Where these criteria are not met the corporate tax rate for imputation purposes for the 2021 year will be 30%.Where the company did not exist in the previous year its corporate tax rate for imputation purposes will be deemed to be at the lower corporate tax rate of 26%. |  |  |  |
| Has the franking percentage applied to the first distribution been applied to all other distributions made during the relevant franking period in accordance with the franking benchmark percentage rule? Has there been any over-franking or under-franking of dividends? |  |  |  |
| 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?  A company which pays franking deficit tax at year end will record a franking credit in its franking account and will be entitled to a franking deficit tax offset. However, the amount of that franking deficit tax offset will be reduced by 30% if the amount of the franking deficit exceeded 10% of the company’s total franking credits for the relevant year. |  |  |  |
| Has the 45/90 day holding period rule been considered in relation to dividends received by the company? |  |  |  |
| Have the dividend washing provisions been considered? |  |  |  |
| INTERNATIONAL TAX ISSUES | | | |
| 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? |  |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **OTHER ATO FORMS / ELECTIONS** | | | | **YES** | | **NO** | **N/A** | |
| INTERNATIONAL TAX ISSUES | | | | | | | | |
| 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 *ITAA 1936*? | | | |  | |  |  | |
| Have you considered the Controlled Foreign Company (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 amounts disclosed in the Labels on the Business Activity Statements of the company reconcile to the relevant accounts of the company? | | | |  | |  |  | |
| Has the carry forward action sheet at the end of this checklist been completed? | | | |  | |  |  | |
| ENTITY’S NAME |  | INITIAL | | DATE | | |
| Preparer: | |  | |  | | |
| Reviewer: | |  | |  | | |
| Partner: | |  | |  | | |

**Year ended 30 June 2021**

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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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