



# **Income Tax Assessment Act 1997**

**No. 38, 1997**

## **Compilation No. 234**

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This compilation is in 12 volumes

**Volume 1:** sections 1-1 to 36-55  
Volume 2: sections 40-1 to 67-30  
Volume 3: sections 70-1 to 121-35  
Volume 4: sections 122-1 to 197-85  
Volume 5: sections 200-1 to 253-15  
Volume 6: sections 275-1 to 313-85  
Volume 7: sections 315-1 to 420-70  
Volume 8: sections 615-1 to 721-40  
Volume 9: sections 723-1 to 880-205  
Volume 10: sections 900-1 to 995-1  
Volume 11: Endnotes 1 to 3  
Volume 12: Endnote 4

Each volume has its own contents

**This compilation was rectified to take into account retrospective amendments made by Act No. 69, 2020 (as amended by Act No. 35, 2022) and Act No. 75, 2022. The original compilation is available in the rectification history on the Federal Register of Legislation.**

Prepared by the Office of Parliamentary Counsel, Canberra

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## About this compilation

### **This compilation**

This is a compilation of the *Income Tax Assessment Act 1997* that shows the text of the law as amended and in force on 1 July 2022 (the **compilation date**).

The notes at the end of this compilation (the **endnotes**) include information about amending laws and the amendment history of provisions of the compiled law.

### **Uncommenced amendments**

The effect of uncommenced amendments is not shown in the text of the compiled law. Any uncommenced amendments affecting the law are accessible on the Legislation Register ([www.legislation.gov.au](http://www.legislation.gov.au)). The details of amendments made up to, but not commenced at, the compilation date are underlined in the endnotes. For more information on any uncommenced amendments, see the series page on the Legislation Register for the compiled law.

### **Application, saving and transitional provisions for provisions and amendments**

If the operation of a provision or amendment of the compiled law is affected by an application, saving or transitional provision that is not included in this compilation, details are included in the endnotes.

### **Editorial changes**

For more information about any editorial changes made in this compilation, see the endnotes.

### **Modifications**

If the compiled law is modified by another law, the compiled law operates as modified but the modification does not amend the text of the law. Accordingly, this compilation does not show the text of the compiled law as modified. For more information on any modifications, see the series page on the Legislation Register for the compiled law.

### **Self-repealing provisions**

If a provision of the compiled law has been repealed in accordance with a provision of the law, details are included in the endnotes.

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# Contents

<b>Chapter 1—Introduction and core provisions</b>	1
<b>Part 1-1—Preliminary</b>	1
<b>Division 1—Preliminary</b>	1
1-1 Short title.....	1
1-2 Commencement.....	1
1-3 Differences in style not to affect meaning.....	1
1-4 Application.....	2
1-7 Administration of this Act.....	2
<b>Part 1-2—A Guide to this Act</b>	3
<b>Division 2—How to use this Act</b>	3
<b>Subdivision 2-A—How to find your way around</b>	3
2-1 The design.....	3
<b>Subdivision 2-B—How the Act is arranged</b>	4
2-5 The pyramid.....	4
<b>Subdivision 2-C—How to identify defined terms and find the definitions</b>	5
2-10 When defined terms are identified.....	5
2-15 When terms are <i>not</i> identified.....	5
2-20 Identifying the defined term in a definition.....	6
<b>Subdivision 2-D—The numbering system</b>	6
2-25 Purposes.....	7
2-30 Gaps in the numbering.....	7
<b>Subdivision 2-E—Status of Guides and other non-operative material</b>	7
2-35 Non-operative material.....	7
2-40 Guides.....	8
2-45 Other material.....	8
<b>Division 3—What this Act is about</b>	9
3-5 Annual income tax.....	9
3-10 Your other obligations as a taxpayer.....	10
3-15 Your obligations <i>other than</i> as a taxpayer.....	11

---

<b>Part 1-3—Core provisions</b>	12
<b>Division 4—How to work out the income tax payable on your taxable income</b>	12
4-1	Who must pay income tax ..... 12
4-5	Meaning of <i>you</i> ..... 12
4-10	How to work out how much income tax you must pay ..... 12
4-15	How to work out your taxable income ..... 14
4-25	Special provisions for working out your basic income tax liability ..... 16
<b>Division 5—How to work out when to pay your income tax</b>	17
<b>Guide to Division 5</b>	17
5-1	What this Division is about ..... 17
<b>Subdivision 5-A—How to work out when to pay your income tax</b>	17
5-5	When income tax is payable ..... 18
5-10	When shortfall interest charge is payable ..... 19
5-15	General interest charge payable on unpaid income tax or shortfall interest charge ..... 19
<b>Division 6—Assessable income and exempt income</b>	21
<b>Guide to Division 6</b>	21
6-1	Diagram showing relationships among concepts in this Division ..... 22
<b>Operative provisions</b>	23
6-5	Income according to ordinary concepts ( <i>ordinary income</i> )..... 23
6-10	Other assessable income ( <i>statutory income</i> )..... 23
6-15	What is <i>not</i> assessable income..... 24
6-20	Exempt income..... 25
6-23	Non-assessable non-exempt income..... 26
6-25	Relationships among various rules about ordinary income..... 26
<b>Division 8—Deductions</b>	27
8-1	General deductions ..... 27
8-5	Specific deductions..... 28
8-10	No double deductions ..... 28

---

---

<b>Part 1-4—Checklists of what is covered by concepts used in the core provisions</b>	29
<b>Division 9—Entities that must pay income tax</b>	29
9-1A Effect of this Division .....	29
9-1 List of entities.....	29
9-5 Entities that work out their income tax by reference to something other than taxable income .....	31
<b>Division 10—Particular kinds of assessable income</b>	34
10-1 Effect of this Division .....	34
10-5 List of provisions about assessable income .....	34
<b>Division 11—Particular kinds of non-assessable income</b>	49
<b>Subdivision 11-A—Lists of classes of exempt income</b>	49
11-1A Effect of this Subdivision .....	49
11-1 Overview .....	49
11-5 Entities that are exempt, no matter what kind of ordinary or statutory income they have .....	50
11-15 Ordinary or statutory income which is exempt.....	51
<b>Subdivision 11-B—Particular kinds of non-assessable non-exempt income</b>	61
11-50 Effect of this Subdivision .....	61
11-55 List of non-assessable non-exempt income provisions.....	61
<b>Division 12—Particular kinds of deductions</b>	68
12-1 Effect of this Division .....	68
12-5 List of provisions about deductions.....	68
<b>Division 13—Tax offsets</b>	86
13-1A Effect of this Division .....	86
13-1 List of tax offsets.....	86
<b>Chapter 2—Liability rules of general application</b>	92
<b>Part 2-1—Assessable income</b>	92
<b>Division 15—Some items of assessable income</b>	92
<b>Guide to Division 15</b>	92
15-1 What this Division is about .....	92

---

---

<b>Operative provisions</b>	93
15-2 Allowances and other things provided in respect of employment or services .....	93
15-3 Return to work payments.....	94
15-5 Accrued leave transfer payments.....	94
15-10 Bounties and subsidies .....	94
15-15 Profit-making undertaking or plan .....	94
15-20 Royalties.....	94
15-22 Payments made to members of a copyright collecting society.....	95
15-23 Payments of resale royalties by resale royalty collecting society.....	95
15-25 Amount received for lease obligation to repair .....	96
15-30 Insurance or indemnity for loss of assessable income .....	96
15-35 Interest on overpayments and early payments of tax.....	96
15-40 Providing mining, quarrying or prospecting information or geothermal exploration information .....	97
15-45 Amounts paid under forestry agreements .....	98
15-46 Amounts paid under forestry managed investment schemes .....	98
15-50 Work in progress amounts.....	99
15-55 Certain amounts paid under funeral policy.....	99
15-60 Certain amounts paid under scholarship plan .....	99
15-70 Reimbursed car expenses .....	100
15-75 Bonuses .....	100
15-80 Franked distributions entitled to a foreign income tax deduction—Additional Tier 1 capital exception .....	101
<b>Division 17—Effect of GST etc. on assessable income</b>	102
<b>Guide to Division 17</b>	102
17-1 What this Division is about .....	102
17-5 GST and increasing adjustments .....	102
17-10 Certain decreasing adjustments .....	103
17-15 Elements in calculation of amounts .....	103
17-20 GST groups and GST joint ventures.....	103
17-30 Special credits because of indirect tax transition.....	104
17-35 Certain sections not to apply to certain assets or expenditure.....	104

---

---

<b>Division 20—Amounts included to reverse the effect of past deductions</b>	105
<b>Guide to Division 20</b>	105
20-1 What this Division is about .....	105
20-5 Other provisions that reverse the effect of deductions .....	105
<b>Subdivision 20-A—Insurance, indemnity or other recoupment for deductible expenses</b>	108
<b>Guide to Subdivision 20-A</b>	108
20-10 What this Subdivision is about .....	108
20-15 How to use this Subdivision .....	109
<b>What is an assessable recoupment?</b>	109
20-20 Assessable recoupments .....	109
20-25 What is <i>recoupment</i> ? .....	110
20-30 Tables of deductions for which recoupments are assessable .....	111
<b>How much is included in your assessable income?</b>	116
20-35 If the expense is deductible in a single income year .....	116
20-40 If the expense is deductible over 2 or more income years .....	117
20-45 Effect of balancing charge .....	119
20-50 If the expense is only partially deductible .....	121
20-55 Meaning of <i>previous recoupment law</i> .....	121
<b>What if you can deduct a loss or outgoing incurred by another entity?</b>	122
20-60 If you are the only entity that can deduct an amount for the loss or outgoing .....	122
20-65 If 2 or more entities can deduct amounts for the loss or outgoing .....	123
<b>Subdivision 20-B—Disposal of a car for which lease payments have been deducted</b>	124
<b>Guide to Subdivision 20-B</b>	124
20-100 What this Subdivision is about .....	124
20-105 Map of this Subdivision .....	126
<b>The usual case</b> 127	
20-110 Disposal of a leased car for profit .....	127
20-115 Working out the profit on the disposal .....	128
20-120 Meaning of <i>notional depreciation</i> .....	129

---

---

<b>The associate case</b>	130
20-125 Disposal of a leased car for profit.....	130
<b>Successive leases</b>	133
20-130 Successive leases.....	133
<b>Previous disposals of the car</b>	133
20-135 No amount included if earlier disposal for market value.....	133
20-140 Reducing the amount to be included if there has been an earlier disposal.....	133
<b>Miscellaneous rules</b>	135
20-145 No amount included if you inherited the car.....	135
20-150 Reducing the amount to be included if another provision requires you to include an amount for the disposal.....	135
20-155 Exception for particular cars taken on hire.....	135
20-157 Exception for small business entities.....	136
<b>Disposals of interests in a car: special rules apply</b>	136
20-160 Disposal of an interest in a car.....	136
<b>Part 2-5—Rules about deductibility of particular kinds of             amounts</b>	137
<b>Division 25—Some amounts you can deduct</b>	137
<b>Guide to Division 25</b>	137
25-1 What this Division is about.....	137
<b>Operative provisions</b>	138
25-5 Tax-related expenses.....	138
25-10 Repairs.....	141
25-15 Amount paid for lease obligation to repair.....	141
25-20 Lease document expenses.....	141
25-25 Borrowing expenses.....	142
25-30 Expenses of discharging a mortgage.....	145
25-35 Bad debts.....	146
25-40 Loss from profit-making undertaking or plan.....	148
25-45 Loss by theft etc. ....	149
25-47 Misappropriation where a balancing adjustment event occurs.....	150
25-50 Payments of pensions, gratuities or retiring allowances.....	151

---



---

25-55	Payments to associations .....	152
25-60	Parliament election expenses.....	152
25-65	Local government election expenses .....	153
25-70	Deduction for election expenses does not extend to entertainment.....	154
25-75	Rates and land taxes on premises used to produce mutual receipts .....	154
25-85	Certain returns in respect of debt interests.....	155
25-90	Deduction relating to foreign non-assessable non-exempt income .....	157
25-95	Deduction for work in progress amounts.....	157
25-100	Travel between workplaces .....	158
25-110	Capital expenditure to terminate lease etc. ....	159
25-115	Deduction for payment of rent from land investment by operating entity to asset entity in relation to approved economic infrastructure facility .....	160
25-120	Transitional—deduction for payment of rent from land investment by operating entity to asset entity .....	162
25-125	COVID-19 tests.....	162
<b>Division 26—Some amounts you cannot deduct, or cannot deduct in full</b>		164
<b>Guide to Division 26</b>		164
26-1	What this Division is about .....	164
<b>Operative provisions</b>		165
26-5	Penalties .....	165
26-10	Leave payments.....	165
26-15	Franchise fees windfall tax .....	166
26-17	Commonwealth places windfall tax .....	167
26-19	Rebatable benefits .....	167
26-20	Assistance to students.....	167
26-22	Political contributions and gifts.....	168
26-25	Interest or royalty .....	169
26-25A	Payments to employees—labour mobility programs.....	170
26-26	Non-share distributions and dividends .....	171
26-30	Relative’s travel expenses .....	171
26-31	Travel related to use of residential premises as residential accommodation.....	173

---

---

26-35	Reducing deductions for amounts paid to related entities .....	174
26-40	Maintaining your family .....	175
26-45	Recreational club expenses.....	176
26-47	Non-business boating activities .....	176
26-50	Expenses for a leisure facility.....	179
26-52	Bribes to foreign public officials .....	181
26-53	Bribes to public officials .....	184
26-54	Expenditure relating to illegal activities .....	185
26-55	Limit on deductions.....	186
26-60	Superannuation contributions surcharge.....	186
26-68	Loss from disposal of eligible venture capital investments.....	187
26-70	Loss from disposal of venture capital equity .....	188
26-75	Excess non-concessional contributions tax cannot be deducted.....	188
26-80	Financing costs on loans to pay superannuation contribution .....	188
26-85	Borrowing costs on loans to pay life insurance premiums.....	189
26-90	Superannuation supervisory levy.....	189
26-95	Superannuation guarantee charge.....	189
26-96	Laminaria and Corallina decommissioning levy cannot be deducted .....	190
26-97	National Disability Insurance Scheme expenditure .....	190
26-98	Division 293 tax cannot be deducted.....	190
26-99	Excess transfer balance tax cannot be deducted .....	190
26-100	Expenditure attributable to water infrastructure improvement payments .....	190
26-102	Expenses associated with holding vacant land .....	191
26-105	Non-compliant payments for work and services .....	195
<b>Division 27—Effect of input tax credits etc. on deductions</b>		<b>200</b>
<b>Guide to Division 27</b>		<b>200</b>
27-1	What this Division is about .....	200
<b>Subdivision 27-A—General</b>		<b>200</b>
27-5	Input tax credits and decreasing adjustments .....	200
27-10	Certain increasing adjustments.....	201
27-15	GST payments .....	201
27-20	Elements in calculation of amounts.....	202

---

27-25	GST groups and GST joint ventures.....	202
27-35	Certain sections not to apply to certain assets or expenditure.....	203
<b>Subdivision 27-B—Effect of input tax credits etc. on capital allowances</b>		203
27-80	Cost or opening adjustable value of depreciating assets reduced for input tax credits.....	203
27-85	Cost or opening adjustable value of depreciating assets reduced: decreasing adjustments.....	205
27-87	Certain decreasing adjustments included in assessable income.....	206
27-90	Cost or opening adjustable value of depreciating assets increased: increasing adjustments.....	207
27-92	Certain increasing adjustments can be deducted.....	208
27-95	Balancing adjustment events.....	208
27-100	Pooling.....	209
27-105	Other Division 40 expenditure.....	214
27-110	Input tax credit etc. relating to 2 or more things.....	215
<b>Division 28—Car expenses</b>		216
<b>Guide to Division 28</b>		216
28-1	What this Division is about.....	216
28-5	Map of this Division.....	217
<b>Subdivision 28-A—Deductions for car expenses</b>		217
28-10	Application of Division 28.....	218
28-12	Car expenses.....	218
28-13	Meaning of <i>car expense</i> .....	218
<b>Subdivision 28-B—Choosing which method to use</b>		219
<b>Guide to Subdivision 28-B</b>		219
28-14	What this Subdivision is about.....	219
28-15	Choosing between the 2 methods.....	219
<b>Operative provision</b>		221
28-20	Rules governing choice of method.....	221
<b>Subdivision 28-C—The “cents per kilometre” method</b>		221
28-25	How to calculate your deduction.....	221
28-30	Capital allowances.....	222
28-35	Substantiation.....	222
<b>Subdivision 28-F—The “log book” method</b>		222
28-90	How to calculate your deduction.....	223

---

28-95	Eligibility.....	224
28-100	Substantiation.....	224
<b>Subdivision 28-G—Keeping a log book</b>		225
<b>Guide to Subdivision 28-G</b>		225
28-105	What this Subdivision is about.....	225
28-110	Steps for keeping a log book.....	226
<b>Operative provisions</b>		226
28-115	Income years for which you need to keep a log book.....	226
28-120	Choosing the 12 week period for a log book.....	227
28-125	How to keep a log book.....	227
28-130	Replacing one car with another.....	229
<b>Subdivision 28-H—Odometer records for a period</b>		229
<b>Guide to Subdivision 28-H</b>		229
28-135	What this Subdivision is about.....	229
<b>Operative provision</b>		230
28-140	How to keep odometer records for a car for a period.....	230
<b>Subdivision 28-I—Retaining the log book and odometer records</b>		231
28-150	Retaining the log book for the retention period.....	231
28-155	Retaining odometer records.....	232
<b>Subdivision 28-J—Situations where you cannot use, or do not need to use, one of the 2 methods</b>		232
<b>Guide to Subdivision 28-J</b>		232
28-160	What this Subdivision is about.....	232
<b>Operative provisions</b>		233
28-165	Exception for particular cars taken on hire.....	233
28-170	Exception for particular cars used in particular ways.....	234
28-175	Further miscellaneous exceptions.....	235
28-180	Car expenses related to award transport payments.....	236
28-185	Application of Subdivision 28-J to recipients and payers of certain withholding payments.....	237
<b>Division 30—Gifts or contributions</b>		239
<b>Guide to Division 30</b>		239
30-1	What this Division is about.....	239
30-5	How to find your way around this Division.....	240

---

---

30-10	Index.....	241
<b>Subdivision 30-A—Deductions for gifts or contributions</b>		241
30-15	Table of gifts or contributions that you can deduct .....	241
30-17	Requirements for certain recipients .....	257
<b>Subdivision 30-B—Tables of recipients for deductible gifts</b>		258
<b>Health</b>		260
30-20	Health .....	260
<b>Education</b>		263
30-25	Education.....	263
30-30	Gifts that must be for certain purposes .....	270
30-35	Rural schools hostel buildings .....	271
30-37	Scholarship etc. funds.....	271
<b>Research</b>		272
30-40	Research .....	272
<b>Welfare and rights</b>		273
30-45	Welfare and rights .....	273
30-45A	Australian disaster relief funds—declarations by Minister .....	279
30-46	Australian disaster relief funds—declarations under State and Territory law .....	280
<b>Defence</b>		281
30-50	Defence .....	281
<b>Environment</b>		283
30-55	The environment .....	283
30-60	Gifts to a National Parks body or conservation body must satisfy certain requirements .....	285
<b>Industry, trade and design</b>		285
30-65	Industry, trade and design.....	285
<b>The family</b>		285
30-70	The family .....	285
30-75	Marriage education organisations must be approved.....	287
<b>International affairs</b>		287
30-80	International affairs .....	287
30-85	Developing country relief funds .....	290
30-86	Developed country disaster relief funds .....	291

---

---

<b>Sports and recreation</b>	291
30-90 Sports and recreation .....	291
<b>Philanthropic trusts</b>	292
30-95 Philanthropic trusts.....	292
<b>Cultural organisations</b>	293
30-100 Cultural organisations.....	293
<b>Fire and emergency services</b>	296
30-102 Fire and emergency services .....	296
<b>Other recipients</b>	298
30-105 Other recipients .....	298
<b>Subdivision 30-BA—Endorsement of deductible gift recipients</b>	300
<b>Guide to Subdivision 30-BA</b>	300
30-115 What this Subdivision is about .....	300
<b>Endorsement as a deductible gift recipient</b>	301
30-120 Endorsement by Commissioner.....	301
30-125 Entitlement to endorsement.....	301
30-130 Maintaining a gift fund.....	304
<b>Government entities treated like entities</b>	305
30-180 How this Subdivision applies to government entities .....	305
<b>Subdivision 30-C—Rules applying to particular gifts of property</b>	305
<b>Valuation requirements</b>	306
30-200 Getting written valuations .....	306
30-205 Proceeds of the sale would have been assessable .....	306
30-210 Approved valuers .....	307
30-212 Valuations by the Commissioner.....	307
<b>Working out the amount you can deduct for a gift of property</b>	307
30-215 How much you can deduct .....	307
30-220 Reducing the amount you can deduct.....	309
<b>Joint ownership of property</b>	310
30-225 Gift of property by joint owners .....	310
<b>Subdivision 30-CA—Administrative requirements relating to ABNs</b>	310
<b>Guide to Subdivision 30-CA</b>	310
30-226 What this Subdivision is about.....	310

---

---

<b>Requirements</b>	311
30-227	Entities to which this Subdivision applies ..... 311
30-228	Content of receipt for gift or contribution ..... 311
30-229	Australian Business Register must show deductibility of gifts to deductible gift recipient..... 313
<b>Subdivision 30-DA—Donations to political parties and independent candidates and members</b>	314
<b>Guide to Subdivision 30-DA</b>	314
30-241	What this Subdivision is about ..... 314
<b>Operative provisions</b>	315
30-242	Deduction for political contributions and gifts ..... 315
30-243	Amount of the deduction ..... 316
30-244	When an individual is an independent candidate..... 316
30-245	When an individual is an independent member ..... 317
<b>Subdivision 30-DB—Spreading certain gift and covenant deductions over up to 5 income years</b>	318
<b>Guide to Subdivision 30-DB</b>	318
30-246	What this Subdivision is about ..... 318
<b>Operative provisions</b>	318
30-247	Gifts and covenants for which elections can be made ..... 318
30-248	Making an election ..... 319
30-249	Effect of election ..... 320
30-249A	Requirements—environmental property gifts ..... 320
30-249B	Requirements—heritage property gifts..... 320
30-249D	Requirements—conservation covenants..... 321
<b>Subdivision 30-E—Register of environmental organisations</b>	321
<b>Guide to Subdivision 30-E</b>	321
30-250	What this Subdivision is about ..... 321
<b>Operative provisions</b>	322
30-255	Establishing the register ..... 322
30-260	Meaning of <i>environmental organisation</i> ..... 322
30-265	Its principal purpose must be protecting the environment..... 322
30-270	Other requirements it must satisfy ..... 323
30-275	Further requirement for a body corporate or a co-operative society..... 323
30-280	What must be on the register ..... 324

---

---

30-285	Removal from the register .....	324
<b>Subdivision 30-EA—Register of harm prevention charities</b>		325
<b>Guide to Subdivision 30-EA</b>		325
30-286	What this Subdivision is about .....	325
<b>Operative provisions</b>		325
30-287	Establishing the register .....	325
30-288	Meaning of <i>harm prevention charity</i> .....	325
30-289	Principal activity—promoting the prevention or control of harm or abuse .....	326
30-289A	Other requirements .....	326
30-289B	What must be on the register .....	326
30-289C	Removal from the register .....	327
<b>Subdivision 30-F—Register of cultural organisations</b>		327
<b>Guide to Subdivision 30-F</b>		327
30-290	What this Subdivision is about .....	327
<b>Operative provisions</b>		328
30-295	Establishing the register .....	328
30-300	Meaning of <i>cultural organisation</i> .....	328
30-305	What must be on the register .....	329
30-310	Removal from the register .....	329
<b>Subdivision 30-G—Index to this Division</b>		329
30-315	Index .....	330
30-320	Effect of this Subdivision .....	341
<b>Division 31—Conservation covenants</b>		342
<b>Guide to Division 31</b>		342
31-1	What this Division is about .....	342
<b>Operative provisions</b>		342
31-5	Deduction for entering into conservation covenant .....	342
31-10	Requirements for fund, authority or institution .....	344
31-15	Valuations by the Commissioner .....	344
<b>Division 32—Entertainment expenses</b>		345
<b>Guide to Division 32</b>		345
32-1	What this Division is about .....	345
<b>Subdivision 32-A—No deduction for entertainment expenses</b>		345
32-5	No deduction for entertainment expenses .....	345
32-10	Meaning of <i>entertainment</i> .....	346

---



---

32-15	No deduction for property used for providing entertainment.....	346
<b>Subdivision 32-B—Exceptions</b>		347
32-20	The main exception—fringe benefits .....	347
32-25	The tables set out the other exceptions .....	347
32-30	Employer expenses.....	348
32-35	Seminar expenses .....	350
32-40	Entertainment industry expenses .....	350
32-45	Promotion and advertising expenses .....	351
32-50	Other expenses .....	351
<b>Subdivision 32-C—Definitions relevant to the exceptions</b>		352
32-55	In-house dining facility (employer expenses table items 1.1 and 1.2).....	352
32-60	Dining facility (employer expenses table item 1.3).....	352
32-65	Seminars (seminar expenses table item 2.1).....	353
<b>Subdivision 32-D—In-house dining facilities (employer expenses table item 1.2)</b>		354
32-70	\$30 is assessable for each meal provided to non-employee in an in-house dining facility .....	354
<b>Subdivision 32-E—Anti-avoidance</b>		355
32-75	Commissioner may treat you as having incurred entertainment expense .....	355
<b>Subdivision 32-F—Special rules for companies and partnerships</b>		355
32-80	Company directors .....	356
32-85	Directors, employees and property of wholly-owned group company .....	356
32-90	Partnerships.....	357
<b>Division 34—Non-compulsory uniforms</b>		358
<b>Guide to Division 34</b>		358
34-1	What this Division is about .....	358
34-3	What you need to read.....	358
<b>Subdivision 34-A—Application of Division 34</b>		359
34-5	This Division applies to employees and others .....	359
34-7	This Division applies to employers and others .....	360
<b>Subdivision 34-B—Deduction for your non-compulsory uniform</b>		360
34-10	What you can deduct .....	360
34-15	What is a <i>non-compulsory</i> uniform? .....	361

---

---

34-20	What are <i>occupation specific clothing</i> and <i>protective clothing</i> .....	361
<b>Subdivision 34-C—Registering the design of a non-compulsory uniform</b>		362
34-25	Application to register the design .....	363
34-30	Industry Secretary’s decision on application .....	363
34-33	Written notice of decision .....	364
34-35	When uniform becomes registered .....	365
<b>Subdivision 34-D—Appeals from Industry Secretary’s decision</b>		365
34-40	Review of decisions by the Administrative Appeals Tribunal .....	365
<b>Subdivision 34-E—The Register of Approved Occupational Clothing</b>		365
34-45	Keeping of the Register .....	366
34-50	Changes to the Register .....	366
<b>Subdivision 34-F—Approved occupational clothing guidelines</b>		366
34-55	Approved occupational clothing guidelines .....	366
<b>Subdivision 34-G—The Industry Secretary</b>		367
34-60	Industry Secretary to give Commissioner information about entries .....	367
34-65	Delegation of powers by Industry Secretary .....	367
<b>Division 35—Deferral of losses from non-commercial business activities</b>		368
<b>Guide to Division 35</b>		368
35-1	What this Division is about .....	368
<b>Operative provisions</b>		369
35-5	Object .....	369
35-10	Deferral of deductions from non-commercial business activities .....	369
35-15	Modification if you have exempt income .....	372
35-20	Modification if you become bankrupt .....	373
35-25	Application of Division to certain partnerships .....	373
35-30	Assessable income test .....	374
35-35	Profits test .....	374
35-40	Real property test .....	375
35-45	Other assets test .....	375
35-50	Apportionment .....	377
35-55	Commissioner’s discretion .....	377

---

---

<b>Division 36—Tax losses of earlier income years</b>	379
<b>Guide to Division 36</b>	379
36-1    What this Division is about .....	379
<b>Subdivision 36-A—Deductions for tax losses of earlier income years</b>	379
36-10    How to calculate a tax loss for an income year .....	379
36-15    How to deduct tax losses of entities other than corporate tax entities .....	380
36-17    How to deduct tax losses of corporate tax entities .....	381
36-20    Net exempt income .....	384
36-25    Special rules about tax losses .....	385
<b>Subdivision 36-B—Effect of you becoming bankrupt</b>	390
<b>Guide to Subdivision 36-B</b>	390
36-30    What this Subdivision is about .....	390
<b>Operative provisions</b>	390
36-35    No deduction for tax loss incurred before bankruptcy .....	390
36-40    Deduction for amounts paid for debts incurred before bankruptcy .....	391
36-45    Limit on deductions for amounts paid .....	393
<b>Subdivision 36-C—Excess franking offsets</b>	394
<b>Guide to Subdivision 36-C</b>	394
36-50    What this Subdivision is about .....	394
<b>Operative provision</b>	394
36-55    Converting excess franking offsets into tax loss .....	394



# **An Act about income tax and related matters**

## **Chapter 1—Introduction and core provisions**

### **Part 1-1—Preliminary**

#### **Division 1—Preliminary**

##### **Table of sections**

1-1	Short title
1-2	Commencement
1-3	Differences in style not to affect meaning
1-4	Application
1-7	Administration of this Act

##### **1-1 Short title**

This Act may be cited as the *Income Tax Assessment Act 1997*.

##### **1-2 Commencement**

This Act commences on 1 July 1997.

##### **1-3 Differences in style not to affect meaning**

- (1) This Act contains provisions of the *Income Tax Assessment Act 1936* in a rewritten form.
- (2) If:
  - (a) that Act expressed an idea in a particular form of words; and
  - (b) this Act appears to have expressed the same idea in a different form of words in order to use a clearer or simpler style;the ideas are not to be taken to be different just because different forms of words were used.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 1** Introduction and core provisions

**Part 1-1** Preliminary

**Division 1** Preliminary

**Section 1-4**

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Note: A public or private ruling about a provision of the *Income Tax Assessment Act 1936* is taken also to be a ruling about the corresponding provision of this Act, so far as the 2 provisions express the same ideas: see section 357-85 in Schedule 1 to the *Taxation Administration Act 1953*.

**1-4 Application**

This Act extends to every external Territory referred to in the definition of *Australia*.

**1-7 Administration of this Act**

The Commissioner has the general administration of this Act.

Note: An effect of this provision is that people who acquire information under this Act are subject to the confidentiality obligations and exceptions in Division 355 in Schedule 1 to the *Taxation Administration Act 1953*.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## **Part 1-2—A Guide to this Act**

### **Division 2—How to use this Act**

#### **Table of Subdivisions**

2-A	How to find your way around
2-B	How the Act is arranged
2-C	How to identify defined terms and find the definitions
2-D	The numbering system
2-E	Status of Guides and other non-operative material

#### **Subdivision 2-A—How to find your way around**

##### **2-1 The design**

This Act is designed to help you identify accurately and quickly the provisions that are relevant to your purpose in reading the income tax law.

The Act contains tables, diagrams and signposts to help you navigate your way.

You can start at Division 3 (What this Act is about) and follow the signposts as far into the Act as you need to go. You may also encounter signposts to several areas of the law that are relevant to you. Each one should be followed.

Sometimes they will lead down through several levels of detail. At each successive level, the rules are structured in a similar way. They will often be preceded by a Guide to the rules at that level. The rules themselves will usually deal first with the general or most common case and then with the more particular or special cases.

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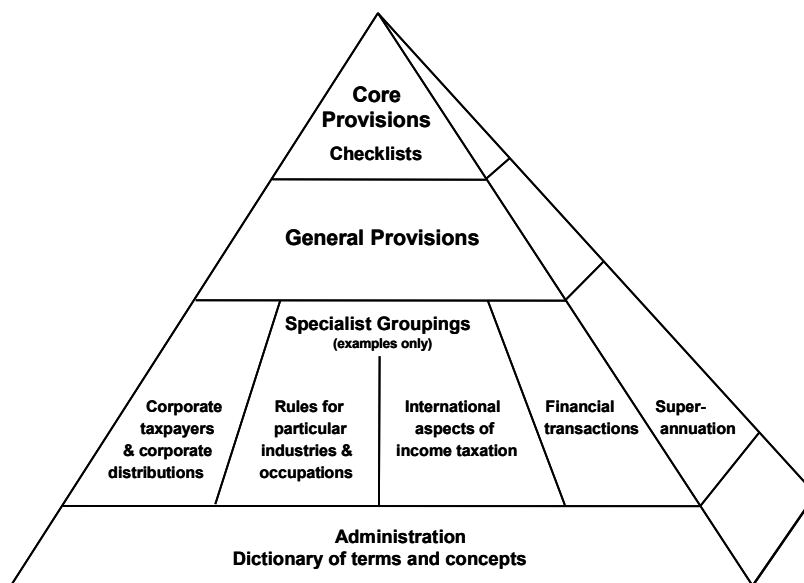
\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

## **Subdivision 2-B—How the Act is arranged**

### **2-5 The pyramid**

This Act is arranged in a way that reflects the principle of moving from the general case to the particular.

In this respect, the conceptual structure of the Act is something like a pyramid. The pyramid shape illustrates the way the income tax law is organised, moving down from the central or core provisions at the top of the pyramid, to general rules of wide application and then to the more specialised topics.



Note: The *Taxation Administration Act 1953* contains the provisions on collection and recovery of tax and provisions on administration.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## Subdivision 2-C—How to identify defined terms and find the definitions

### Table of sections

2-10	When defined terms are identified
2-15	When terms are <i>not</i> identified
2-20	Identifying the defined term in a definition

### 2-10 When defined terms are identified

- (1) Many of the terms used in the income tax law are defined.
- (2) Most defined terms in this Act are identified by an asterisk appearing at the start of the term: as in “\*business”. The footnote that goes with the asterisk contains a signpost to the Dictionary definitions starting at section 995-1.

### 2-15 When terms are *not* identified

- (1) Once a defined term has been identified by an asterisk, later occurrences of the term in the same subsection are *not* usually asterisked.
- (2) Terms are *not* asterisked in the non-operative material contained in this Act.

Note: The non-operative material is described in Subdivision 2-E.

- (3) The following basic terms used throughout the Act are *not* identified with an asterisk. They fall into 2 groups:

#### *Key participants in the income tax system*

<b>Item</b>	<b>This term:</b>	<b>is defined in:</b>
1.	Australian resident	section 995-1
2.	Commissioner	section 995-1
3.	company	section 995-1

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**Chapter 1** Introduction and core provisions

**Part 1-2** A Guide to this Act

**Division 2** How to use this Act

Section 2-20

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<b>Item</b>	<b>This term:</b>	<b>is defined in:</b>
4.	entity	section 960-100
4A.	foreign resident	section 995-1
5.	individual	section 995-1
6.	partnership	section 995-1
7.	person	section 995-1
8.	trustee	section 995-1
9.	you	section 4-5

*Core concepts*

<b>Item</b>	<b>This term:</b>	<b>is defined in:</b>
1.	amount	section 995-1
2.	assessable income	Division 6
3.	assessment	section 995-1
3A.	Australia	Subdivision 960-T
4.	deduct, deduction	Division 8
5.	income tax	section 995-1
6.	income year	section 995-1
7.	taxable income	section 4-15
8.	this Act	section 995-1

**2-20 Identifying the defined term in a definition**

Within a definition, the defined term is identified by *bold italics*.

**Subdivision 2-D—The numbering system**

**Table of sections**

2-25	Purposes
2-30	Gaps in the numbering

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## 2-25 Purposes

Two main purposes of the numbering system in this Act are:

- To indicate the relationship between units at different levels.

For example, the number of Part 2-15 indicates that the Part is in Chapter 2. Similarly, the number of section 165-70 indicates that the section is in Division 165.

- To allow for future expansion of the Act. The main technique here is leaving gaps between numbers.

## 2-30 Gaps in the numbering

There are gaps in the numbering system to allow for the insertion of new Divisions and sections.

## Subdivision 2-E—Status of Guides and other non-operative material

### Table of sections

2-35	Non-operative material
2-40	Guides
2-45	Other material

## 2-35 Non-operative material

In addition to the operative provisions themselves, this Act contains other material to help you identify accurately and quickly the provisions that are relevant to you and to help you understand them.

This other material falls into 2 main categories.

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 1** Introduction and core provisions

**Part 1-2** A Guide to this Act

**Division 2** How to use this Act

Section 2-40

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**2-40 Guides**

The first is the “Guides”. A **Guide** consists of sections under a heading indicating that what follows is a Guide to a particular Subdivision, Division etc.

Guides form part of this Act but are kept separate from the operative provisions. In interpreting an operative provision, a Guide may only be considered for limited purposes. These are set out in section 950-150.

**2-45 Other material**

The other category consists of material such as notes and examples. These also form part of the Act. They are distinguished by type size from the operative provisions, but are not kept separate from them.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## Division 3—What this Act is about

### Table of sections

3-5	Annual income tax
3-10	Your other obligations as a taxpayer
3-15	Your obligations <i>other than</i> as a taxpayer

### 3-5 Annual income tax

- (1) Income tax is payable for each year by each individual and company, and by some other entities.

Note 1: Individuals who are Australian residents, and some trustees, are also liable to pay Medicare levy for each year. See the *Medicare Levy Act 1986* and Part VIIB of the *Income Tax Assessment Act 1936*.

Note 2: Income tax is imposed by the *Income Tax Act 1986* and the other Acts referred to in the definition of **income tax** in section 995-1.

- (2) Most entities have to pay *instalments* of income tax before the income tax they *actually* have to pay can be worked out.

- (3) This Act answers these questions:

1. What instalments of income tax do you have to pay? When and how do you pay them?

See Schedule 1 to the *Taxation Administration Act 1953*.

2. How do you work out how much income tax you must pay?

See Division 4, starting at section 4-1.

3. What happens if your income tax is *more* than the instalments you have paid? When and how must you pay the rest?

See Division 5 of this Act and Part 4-15 in Schedule 1 to the *Taxation Administration Act 1953*.

4. What happens if your income tax is *less* than the instalments you have paid? How do you get a refund?

See Division 3A of Part IIB of the *Taxation Administration Act 1953*.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 3-10

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5. What are your *other* obligations as a taxpayer, besides paying instalments and the rest of your income tax?

See section 3-10.

6. Do you have any other obligations under the income tax law?

See section 3-15.

7. If a dispute between you and the Commissioner of Taxation cannot be settled by agreement, what procedures for objection, review and appeal are available?

See Part IVC (sections 14ZL to 14ZZS) of the *Taxation Administration Act 1953*.

### **3-10 Your other obligations as a taxpayer**

(1) Besides paying instalments and the rest of your income tax, your main obligations as a taxpayer are:

(a) to keep records and provide information as required by:

- the *Income Tax Assessment Act 1936*; and
- Division 900 (which sets out substantiation rules) of this Act; and

(b) to lodge income tax returns as required by:

- the *Income Tax Assessment Act 1936*.

#### *Tax file numbers*

(2) Under Part VA of the *Income Tax Assessment Act 1936*, a tax file number can be issued to you. You are not obliged to apply for a tax file number. However, if you do not quote one in certain situations:

- you may become liable for instalments of income tax that would not otherwise have been payable;
- the amount of certain of your instalments of income tax may be increased.

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

### **3-15 Your obligations *other than* as a taxpayer**

Your main obligations under the income tax law, other than as a taxpayer are:

- in certain situations, to deduct from money you owe to another person, and to remit to the Commissioner, instalments of income tax payable by that person.

See Part 4-5 (Collection of income tax instalments), starting at section 750-1.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

## Part 1-3—Core provisions

### Division 4—How to work out the income tax payable on your taxable income

#### Table of sections

4-1	Who must pay income tax
4-5	Meaning of <i>you</i>
4-10	How to work out how much income tax you must pay
4-15	How to work out your taxable income
4-25	Special provisions for working out your basic income tax liability

#### 4-1 Who must pay income tax

Income tax is payable by each individual and company, and by some other entities.

Note: The actual amount of income tax payable may be nil.

For a list of the entities that must pay income tax, see Division 9, starting at section 9-1.

#### 4-5 Meaning of *you*

If a provision of this Act uses the expression *you*, it applies to entities generally, unless its application is expressly limited.

Note 1: The expression *you* is not used in provisions that apply only to entities that are not individuals.

Note 2: For circumstances in which the identity of an entity that is a managed investment scheme for the purposes of the *Corporations Act 2001* is not affected by changes to the scheme, see Subdivision 960-E of the *Income Tax (Transitional Provisions) Act 1997*.

#### 4-10 How to work out how much income tax you must pay

(1) You must pay income tax for each \*financial year.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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- (2) Your income tax is worked out by reference to your taxable income for the *income year*. The income year is the same as the \*financial year, except in these cases:
- (a) for a company, the income year is the *previous* financial year;
  - (b) if you have an accounting period that is not the same as the financial year, each such accounting period or, for a company, each previous accounting period is an income year.

Note 1: The Commissioner can allow you to adopt an accounting period ending on a day other than 30 June. See section 18 of the *Income Tax Assessment Act 1936*.

Note 2: An accounting period ends, and a new accounting period starts, when a partnership becomes, or ceases to be, a VCLP, an ESVCLP, an AFOF or a VCMP. See section 18A of the *Income Tax Assessment Act 1936*.

- (3) Work out your income tax for the \*financial year as follows:

$$\text{Income tax} = \left( \text{Taxable income} \times \text{Rate} \right) - \text{Tax offsets}$$

*Method statement*

Step 1. Work out your taxable income for the income year.

To do this, see section 4-15.

Step 2. Work out your basic income tax liability on your taxable income using:

- (a) the income tax rate or rates that apply to you for the income year; and
- (b) any special provisions that apply to working out that liability.

See the *Income Tax Rates Act 1986* and section 4-25.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 1** Introduction and core provisions

**Part 1-3** Core provisions

**Division 4** How to work out the income tax payable on your taxable income

Section 4-15

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Step 3. Work out your tax offsets for the income year. A **tax offset** reduces the amount of income tax you have to pay.

For the list of tax offsets, see section 13-1.

Step 4. Subtract your \*tax offsets from your basic income tax liability. The result is how much income tax you owe for the \*financial year.

Note 1: Division 63 explains what happens if your tax offsets exceed your basic income tax liability. How the excess is treated depends on the type of tax offset.

Note 2: Section 4-11 of the *Income Tax (Transitional Provisions) Act 1997* (which is about the temporary budget repair levy) may increase the amount of income tax worked out under this section.

*Income tax worked out on another basis*

- (4) For some entities, some or all of their income tax for the \*financial year is worked out by reference to something other than taxable income for the income year.

See section 9-5.

**4-15 How to work out your taxable income**

- (1) Work out your **taxable income** for the income year like this:

Taxable income = Assessable income – Deductions

*Method statement*

Step 1. Add up all your assessable income for the income year.

To find out about your assessable income, see Division 6.

Step 2. Add up your deductions for the income year.

To find out what you can deduct, see Division 8.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Step 3.** Subtract your deductions from your assessable income (unless they exceed it). The result is your taxable income. (If the deductions equal or exceed the assessable income, you don't have a taxable income.)

Note: If the deductions exceed the assessable income, you may have a tax loss which you may be able to utilise in that or a later income year: see Division 36.

(2) There are cases where taxable income is worked out in a special way:

Item	For this case ...	See:
1.	A company does not maintain continuity of ownership and control during the income year and does not satisfy the business continuity test	Subdivision 165-B
1B.	An entity is a *member of a *consolidated group at any time in the income year	Part 3-90
2.	A company becomes a PDF (pooled development fund) during the income year, and the PDF component for the income year is a nil amount	section 124ZTA of the <i>Income Tax Assessment Act 1936</i>
3.	A shipowner or charterer: <ul style="list-style-type: none"> <li>• has its principal place of business outside Australia; and</li> <li>• carries passengers, freight or mail shipped in Australia</li> </ul>	section 129 of the <i>Income Tax Assessment Act 1936</i>
4.	An insurer who is a foreign resident enters into insurance contracts connected with Australia	sections 142 and 143 of the <i>Income Tax Assessment Act 1936</i>
5.	The Commissioner makes a default or special assessment of taxable income	sections 167 and 168 of the <i>Income Tax Assessment Act 1936</i>

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 1** Introduction and core provisions

**Part 1-3** Core provisions

**Division 4** How to work out the income tax payable on your taxable income

Section 4-25

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<b>Item</b>	<b>For this case ...</b>	<b>See:</b>
6.	The Commissioner makes a determination of the amount of taxable income to prevent double taxation in certain treaty cases	section 24 of the <i>International Tax Agreements Act 1953</i>
Note:	A life insurance company can have a taxable income of the complying superannuation class and/or a taxable income of the ordinary class for the purposes of working out its income tax for an income year: see Subdivision 320-D.	

**4-25 Special provisions for working out your basic income tax liability**

Subsection 392-35(3) may increase your basic income tax liability beyond the liability worked out simply by applying the income tax rates to your taxable income.

Note: Subsection 392-35(3) increases some primary producers' tax liability by requiring them to pay extra income tax on their averaging components worked out under Subdivision 392-C.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## Division 5—How to work out when to pay your income tax

### Table of Subdivisions

	Guide to Division 5
5-A	How to work out when to pay your income tax

### Guide to Division 5

#### 5-1 What this Division is about

If your assessed income tax liability exceeds the credits available to you under the PAYG system, this Division explains *when* you must pay the excess to the Commissioner.

If your assessment is amended so that you must pay income tax, or pay more income tax than under the previous assessment, this Division explains:

- (a) *when* you must pay the additional tax; and
- (b) *when* any associated interest charges must be paid.

Note: For provisions about the collection and recovery of income tax and other tax-related liabilities, see Part 4-15 in Schedule 1 to the *Taxation Administration Act 1953*.

### Subdivision 5-A—How to work out when to pay your income tax

#### Table of sections

5-5	When income tax is payable
5-10	When shortfall interest charge is payable
5-15	General interest charge payable on unpaid income tax or shortfall interest charge

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

Section 5-5

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**5-5 When income tax is payable**

*Scope*

- (1) This section tells you when income tax you must pay for a \*financial year is due and payable.

Note: The Commissioner may defer the time at which the income tax is due and payable: see section 255-10 in Schedule 1 to the *Taxation Administration Act 1953*.

- (2) The income tax is only due and payable if the Commissioner makes an \*assessment of your income tax for the year.
- (3) However, if the Commissioner does make an \*assessment of your income tax for the year, the tax may be taken to have been due and payable at a time before your assessment was made.

Note: This is to ensure that general interest charge begins to accrue from the same date for all like entities. General interest charge on unpaid income tax is calculated from when the tax is due and payable, not from when the assessment is made: see section 5-15.

*Original assessments—self-assessment entities*

- (4) If you are a \*self-assessment entity, the income tax is due and payable on the first day of the sixth month after the end of the income year.

Example: If your income year is the same as the financial year, your income tax would be due and payable on 1 December.

*Original assessments—other entities*

- (5) If you are *not* a \*self-assessment entity, the income tax is due and payable 21 days after the day (the **return day**) on or before which you are required to lodge your \*income tax return with the Commissioner.

Note: For rules about income tax returns and when they are due, see Part IV of the *Income Tax Assessment Act 1936*.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

- (6) However, if you lodge your return *on or before* the return day and the Commissioner gives you a notice of \*assessment (other than an amended assessment) *after* the return day, the income tax is due and payable 21 days after the Commissioner gives you the notice.

*Amended assessments*

- (7) If the Commissioner amends your \*assessment, any extra income tax resulting from the amendment is due and payable 21 days after the day on which the Commissioner gives you notice of the amended assessment.

Note: Shortfall interest charge may be payable, on any amount of extra income tax payable as a result of the amended assessment, for each day in the period that:

- (a) starts at the time income tax was due and payable on your original assessment; and
- (b) ends the day before the day on which the Commissioner gives you notice of the amended assessment.

### **5-10 When shortfall interest charge is payable**

An amount of \*shortfall interest charge that you are liable to pay is due and payable 21 days after the day on which the Commissioner gives you notice of the charge.

Note: Shortfall interest charge is imposed if the Commissioner amends an assessment and the amended assessment results in an increase in some tax payable. For provisions about liability for shortfall interest charge, see Division 280 in Schedule 1 to the *Taxation Administration Act 1953*.

### **5-15 General interest charge payable on unpaid income tax or shortfall interest charge**

If an amount of income tax or \*shortfall interest charge that you are liable to pay remains unpaid after the time by which it is due to be paid, you are liable to pay the \*general interest charge on the unpaid amount for each day in the period that:

- (a) starts at the beginning of the day on which the amount was due to be paid; and

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 1** Introduction and core provisions

**Part 1-3** Core provisions

**Division 5** How to work out when to pay your income tax

**Section 5-15**

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- (b) finishes at the end of the last day on which, at the end of the day, any of the following remains unpaid:
- (i) the income tax or shortfall interest charge;
  - (ii) general interest charge on any of the income tax or shortfall interest charge.

Note 1: The general interest charge is worked out under Part IIA of the *Taxation Administration Act 1953*.

Note 2: Shortfall interest charge is worked out under Division 280 in Schedule 1 to that Act.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## **Division 6—Assessable income and exempt income**

### **Guide to Division 6**

#### **Table of sections**

6-1 Diagram showing relationships among concepts in this Division

#### **Operative provisions**

6-5 Income according to ordinary concepts (*ordinary income*)

6-10 Other assessable income (*statutory income*)

6-15 What is *not* assessable income

6-20 Exempt income

6-23 Non-assessable non-exempt income

6-25 Relationships among various rules about ordinary income

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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*Income Tax Assessment Act 1997*

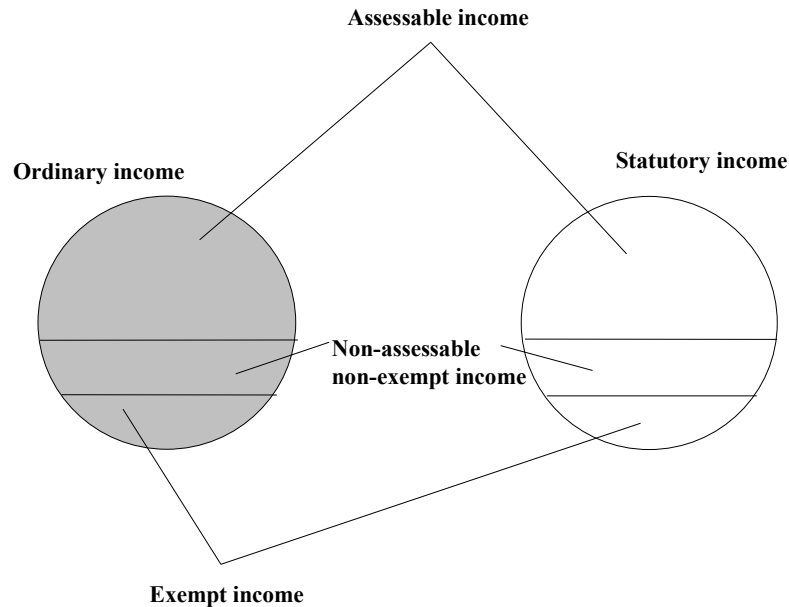
21

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**6-1 Diagram showing relationships among concepts in this Division**



- (1) Assessable income consists of ordinary income and statutory income.
- (2) Some ordinary income, and some statutory income, is exempt income.
- (3) Exempt income is not assessable income.
- (4) Some ordinary income, and some statutory income, is neither assessable income nor exempt income.

For the effect of the GST in working out assessable income, see Division 17.

- (5) An amount of ordinary income or statutory income can have only one status (that is, assessable income, exempt income or

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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non-assessable non-exempt income) in the hands of a particular entity.

## Operative provisions

### 6-5 Income according to ordinary concepts (*ordinary income*)

- (1) Your **assessable income** includes income according to ordinary concepts, which is called **ordinary income**.

Note: Some of the provisions about assessable income listed in section 10-5 may affect the treatment of ordinary income.

- (2) If you are an Australian resident, your assessable income includes the \*ordinary income you \*derived directly or indirectly from all sources, whether in or out of Australia, during the income year.
- (3) If you are a foreign resident, your assessable income includes:
- (a) the \*ordinary income you \*derived directly or indirectly from all \*Australian sources during the income year; and
  - (b) other \*ordinary income that a provision includes in your assessable income for the income year on some basis other than having an \*Australian source.
- (4) In working out whether you have **derived** an amount of \*ordinary income, and (if so) when you **derived** it, you are taken to have received the amount as soon as it is applied or dealt with in any way on your behalf or as you direct.

### 6-10 Other assessable income (*statutory income*)

- (1) Your **assessable income** also includes some amounts that are *not* \*ordinary income.

Note: These are included by provisions about assessable income. For a summary list of these provisions, see section 10-5.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 6-15

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- (2) Amounts that are *not* \*ordinary income, but are included in your assessable income by provisions about assessable income, are called **statutory income**.

Note 1: Although an amount is statutory income because it has been included in assessable income under a provision of this Act, it may be made exempt income or non-assessable non-exempt income under another provision: see sections 6-20 and 6-23.

Note 2: Many provisions in the summary list in section 10-5 contain rules about ordinary income. These rules do not change its character as ordinary income.

- (3) If an amount would be \*statutory income apart from the fact that you have not received it, it becomes statutory income as soon as it is applied or dealt with in any way on your behalf or as you direct.
- (4) If you are an Australian resident, your assessable income includes your \*statutory income from all sources, whether in or out of Australia.
- (5) If you are a foreign resident, your assessable income includes:
- (a) your \*statutory income from all \*Australian sources; and
  - (b) other \*statutory income that a provision includes in your assessable income on some basis other than having an \*Australian source.

**6-15 What is *not* assessable income**

- (1) If an amount is *not* \*ordinary income, and is *not* \*statutory income, it is not **assessable income** (so you do not have to pay income tax on it).
- (2) If an amount is \*exempt income, it is not **assessable income**.

Note: If an amount is exempt income, there are other consequences besides it being exempt from income tax. For example:

- the amount may be taken into account in working out the amount of a tax loss (see section 36-10);

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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- you cannot deduct as a general deduction a loss or outgoing incurred in deriving the amount (see Division 8);
  - capital gains and losses on assets used solely to produce exempt income are disregarded (see section 118-12).
- (3) If an amount is \*non-assessable non-exempt income, it is not **assessable income**.

Note 1: You cannot deduct as a general deduction a loss or outgoing incurred in deriving an amount of non-assessable non-exempt income (see Division 8).

Note 2: Capital gains and losses on assets used to produce *some* types of non-assessable non-exempt income are disregarded (see section 118-12).

## 6-20 Exempt income

- (1) An amount of \*ordinary income or \*statutory income is **exempt income** if it is made exempt from income tax by a provision of this Act or another \*Commonwealth law.

For summary lists of provisions about exempt income,  
see sections 11-5 and 11-15.

- (2) \*Ordinary income is also **exempt income** to the extent that this Act excludes it (expressly or by implication) from being assessable income.
- (3) By contrast, an amount of \*statutory income is **exempt income** only if it is made exempt from income tax by a provision of this Act outside this Division or another \*Commonwealth law.
- (4) If an amount of \*ordinary income or \*statutory income is \*non-assessable non-exempt income, it is not **exempt income**.

Note: An amount of non-assessable non-exempt income is not taken into account in working out the amount of a tax loss.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 6-23

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**6-23 Non-assessable non-exempt income**

An amount of \*ordinary income or \*statutory income is ***non-assessable non-exempt income*** if a provision of this Act or of another \*Commonwealth law states that it is not assessable income and is not \*exempt income.

Note: Capital gains and losses on assets used to produce *some* types of non-assessable non-exempt income are disregarded (see section 118-12).

For a summary list of provisions about non-assessable non-exempt income, see Subdivision 11-B.

**6-25 Relationships among various rules about ordinary income**

(1) Sometimes more than one rule includes an amount in your assessable income:

- the same amount may be \*ordinary income and may also be included in your assessable income by one or more provisions about assessable income; or
- the same amount may be included in your assessable income by more than one provision about assessable income.

For a summary list of the provisions about assessable income, see section 10-5.

However, the amount is included only once in your assessable income for an income year, and is then not included in your assessable income for any other income year.

(2) Unless the contrary intention appears, the provisions of this Act (outside this Part) prevail over the rules about \*ordinary income.

Note: This Act contains some specific provisions about how far the rules about ordinary income prevail over the other provisions of this Act.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## Division 8—Deductions

### Table of sections

8-1	General deductions
8-5	Specific deductions
8-10	No double deductions

### 8-1 General deductions

- (1) You can **deduct** from your assessable income any loss or outgoing to the extent that:
- (a) it is incurred in gaining or producing your assessable income; or
  - (b) it is necessarily incurred in carrying on a \*business for the purpose of gaining or producing your assessable income.

Note: Division 35 prevents losses from non-commercial business activities that may contribute to a tax loss being offset against other assessable income.

- (2) However, you cannot deduct a loss or outgoing under this section to the extent that:
- (a) it is a loss or outgoing of capital, or of a capital nature; or
  - (b) it is a loss or outgoing of a private or domestic nature; or
  - (c) it is incurred in relation to gaining or producing your \*exempt income or your \*non-assessable non-exempt income; or
  - (d) a provision of this Act prevents you from deducting it.

For a summary list of provisions about deductions, see section 12-5.

- (3) A loss or outgoing that you can deduct under this section is called a **general deduction**.

For the effect of the GST in working out deductions, see Division 27.

Note If you receive an amount as insurance, indemnity or other recoupment of a loss or outgoing that you can deduct under this section, the

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 1** Introduction and core provisions

**Part 1-3** Core provisions

**Division 8** Deductions

**Section 8-5**

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amount may be included in your assessable income: see  
Subdivision 20-A.

**8-5 Specific deductions**

- (1) You can also *deduct* from your assessable income an amount that a provision of this Act (outside this Division) allows you to deduct.
- (2) Some provisions of this Act prevent you from deducting an amount that you could otherwise deduct, or limit the amount you can deduct.
- (3) An amount that you can deduct under a provision of this Act (outside this Division) is called a *specific deduction*.

Note: If you receive an amount as insurance, indemnity or other recoupment of a deductible expense, the amount may be included in your assessable income: see Subdivision 20-A.

For a summary list of provisions about deductions, see section 12-5.

**8-10 No double deductions**

If 2 or more provisions of this Act allow you deductions in respect of the same amount (whether for the same income year or different income years), you can deduct only under the provision that is most appropriate.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## **Part 1-4—Checklists of what is covered by concepts used in the core provisions**

### **Division 9—Entities that must pay income tax**

#### **Table of sections**

9-1A	Effect of this Division
9-1	List of entities
9-5	Entities that work out their income tax by reference to something other than taxable income

#### **9-1A Effect of this Division**

This Division is a \*Guide.

#### **9-1 List of entities**

Income tax is payable by the entities listed in the table.

Provisions of the *Income Tax Assessment Act 1997* are identified in normal text. The other provisions, **in bold**, are provisions of the *Income Tax Assessment Act 1936*.

<b>Item</b>	<b>Income tax is payable by this kind of entity:</b>	<b>because of this provision:</b>
1	An individual	section 4-1
2	A company, that is: <ul style="list-style-type: none"><li>• a body corporate; or</li><li>• an unincorporated body (except a partnership)</li></ul>	section 4-1

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 9** Entities that must pay income tax

Section 9-5

---

<b>Item</b>	<b>Income tax is payable by this kind of entity:</b>	<b>because of this provision:</b>
3	A company that was a member of a wholly-owned group if a former subsidiary in the group is treated as having disposed of leased plant and does not pay all of the income tax resulting from that treatment	section 45-25
3A	A company that is a corporate collective investment vehicle (CCIV)	Subdivision 19 5 C
3B	The trustee of an attribution managed investment trust (AMIT)	sections 276 40 5 to 276 425
4	A superannuation provider in relation to a complying superannuation fund	sections 295-5 and 295-605
5	A superannuation provider in relation to a non-complying superannuation fund	sections 295-5 and 295-605
6	A superannuation provider in relation to a complying approved deposit fund	section 295-5
7	A superannuation provider in relation to a non-complying approved deposit fund	section 295-5
8	The trustee of a pooled superannuation trust	section 295-5
8A	A sovereign entity	section 880-55
9	A corporate limited partnership	<b>section 94J</b>
10	A mutual insurance association (as described in section 121)	<b>section 121</b>
11	A trustee (except one covered by another item in this table), but only in respect of some kinds of income of the trust	<b>sections 98, 99, 99A and 102</b>
13	The trustee of a public trading trust	<b>section 102S</b>

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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### 9-5 Entities that work out their income tax by reference to something other than taxable income

- (1) For some entities, some or all of their income tax for the \*financial year is worked out as described in the table.

Provisions of the *Income Tax Assessment Act 1997* are identified in normal text. The other provisions, **in bold**, are provisions of the *Income Tax Assessment Act 1936*.

Item	This kind of entity is liable to pay income tax worked out by reference to:	See:
1	A company that was a member of a wholly-owned group is jointly and severally liable to pay an amount of income tax if a former subsidiary in the group is treated as having disposed of leased plant and does not pay all of the income tax resulting from that treatment.	section 45-25
1A	The trustee of an attribution managed investment trust (AMIT) is liable to pay income tax on certain amounts reflecting under attribution of income or over attribution of tax offsets	sections 276 405 to 276 425
2	A superannuation provider in relation to a complying superannuation fund is to be assessed and is liable to pay income tax on no-TFN contributions income as well as on taxable income.	sections 295-5 and 295-605
3	A superannuation provider in relation to a non-complying superannuation fund is to be assessed and is liable to pay income tax on no-TFN contributions income as well as on taxable income.	sections 295-5 and 295-605
4	An RSA provider is to be assessed and is	sections 295-5,

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 9** Entities that must pay income tax

Section 9-5

---

<b>Item</b>	<b>This kind of entity is liable to pay income tax worked out by reference to:</b>	<b>See:</b>
	liable to pay income tax on no-TFN contributions income as well as on taxable income.	295-605 and 320-155
5	An Australian resident individual with: <ul style="list-style-type: none"><li>• eligible foreign remuneration under section 23AF; or</li><li>• foreign earnings under section 23AG; (from working in a foreign country) is liable to pay income tax worked out by reference to his or her assessable income less some of his or her deductions.</li></ul>	<b>section 23AF or 23AG</b>
6	A trustee covered by item 11 in the table in section 9-1 is liable to pay income tax worked out by reference to the net income of the trust for the income year.	<b>sections 98, 99 and 99A</b>
8	The trustee of a public trading trust is liable to pay income tax worked out by reference to the net income of the trust for the income year.	<b>section 102S</b>
9	An entity that is liable to pay income tax (worked out by reference to taxable income or otherwise) is also liable to pay income tax worked out by reference to diverted income or diverted trust income for the income year.	<b>section 121H</b>
10	An Australian insurer that re-insures overseas can elect to pay, as agent for the re-insurer, income tax worked out by reference to the amount of the re-insurance premiums.	<b>section 148</b>

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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- (2) For entities covered by an item in the table in subsection (1), the ***income year*** is the same as the \*financial year, except in these cases:
- (a) for a company, or an entity covered by item 2 or 3 in the table, the income year is the *previous* financial year;
  - (b) if an entity has an accounting period that is not the same as the financial year, each such accounting period or, for a company, each previous accounting period is an income year.

Note 1: The Commissioner can allow an entity to adopt an accounting period ending on a day other than 30 June. See section 18 of the *Income Tax Assessment Act 1936*.

Note 2: An accounting period ends, and a new accounting period starts, when a partnership becomes, or ceases to be, a VCLP, an ESVCLP, an AFOF or a VCMP. See section 18A of the *Income Tax Assessment Act 1936*.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## Division 10—Particular kinds of assessable income

### 10-1 Effect of this Division

This Division is a \*Guide.

### 10-5 List of provisions about assessable income

The provisions set out in the table:

- include in your assessable income amounts that are *not* \*ordinary income; and
- vary or replace the rules that would otherwise apply for certain kinds of \*ordinary income.

Provisions of the *Income Tax Assessment Act 1997* are identified in normal text. The other provisions, **in bold**, are provisions of the *Income Tax Assessment Act 1936*.

<b>Accrued leave transfer payments</b>	15-5
<b>alienated personal services income</b>	86-15
<b>allowances</b>	
<i>see employment</i>	
<b>annual leave</b>	
<i>see leave payments</i>	
<b>annuities</b>	<b>27H</b>
<b>approved deposit fund (ADFs)</b>	
<i>see superannuation</i>	
<b>attributable income</b>	
<i>see controlled foreign corporations</i>	

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**avoidance of tax**

- general ..... 177F
- diversion of income ..... 121H
- see also *transfers of income*

**bad debts**

see *recoupment*

**balancing adjustment**

see *capital allowances, investments, R&D, scientific research and tax exempt entities*

**banking**

- offshore banking unit, deemed interest on payments to  
by owner ..... 121EK

**barter transactions**

- ..... 21, 21A, 15-2

**beneficiaries**

see *trusts*

**benefits**

- business, non-cash ..... 21A
- consideration, non-cash ..... 21
- meals you provide in an in-house dining facility ..... 32-70
- see also *employment and superannuation*

**bonus shares**

see *shares*

**bounties**

- ..... 15-10

**capital allowances**

- excess of termination value over adjustable value
  - generally ..... 40-285
  - for some cars ..... 40-370
- depreciating asset in low-value pool ..... 40-445(2)
- expenditure in software development pool ..... 40-460
- recovery of petroleum resource rent tax ..... 40-750(3)

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 10-5

---

<b>capital gains</b>	
.....	102-5
see also <i>insurance</i>	
<b>car expenses</b>	
cents per kilometres reimbursement of .....	15-70
<b>carried interests</b>	
carried interests, not ordinary income .....	118-21
<b>CFCs</b>	
see <i>controlled foreign corporations</i>	
<b>charters</b>	
see <i>shipping</i>	
<b>child</b>	
non-trust income of, unearned .....	<b>102AE</b>
trust income of, unearned .....	<b>102AG</b>
<b>collecting societies</b>	
payments of royalties by copyright collecting societies....	15-22
payments of royalties by resale royalty collecting society .....	15-23
<b>company</b>	
see <i>controlled foreign corporations, co-operative     company, directors, dividends, liquidation,     shareholders and shares</i>	
<b>compensation</b>	
live stock or trees, recoveries for loss of .....	385-130
profits or income, insurance or indemnity for loss of .....	15-30
received by lessor for lessee's non-compliance with lease obligation to repair .....	15-25
trading stock, insurance or indemnity for loss of .....	70-115
see also <i>insurance, live stock, recoupment and     scientific research</i>	
<b>consideration</b>	
see <i>benefits</i>	

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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<b>consolidated groups and MEC groups</b>	
Assets in relation to Division 230 financial arrangement .....	701-61(3)
<b>controlled foreign corporations (CFCs)</b>	
attributable income of .....	<b>456 to 459A</b>
see also <i>dividends</i> and <i>taxes</i>	
<b>co-operative company</b>	
receipts of .....	<b>119</b>
<b>credit union</b>	
see <i>co-operative company</i>	
<b>currency gains</b>	
see <i>foreign exchange</i>	
<b>currency losses</b>	
see <i>recoupment</i>	
<b>death</b>	
see <i>trusts</i>	
<b>debt/equity swap</b>	
see <i>shares</i> and <i>units</i>	
<b>defence forces</b>	
allowances and benefits for service as a member of .....	15-2
<b>depreciation</b>	
see <i>capital allowances</i>	
<b>directors</b>	
excessive remuneration or retirement payment from company .....	<b>109</b>
<b>distributions</b>	
see <i>dividends</i>	
<b>dividends</b>	
benefit of LIC capital gain through a trust or partnership .....	115-280
general .....	<b>44(1)</b>
distribution from a controlled foreign corporation .....	<b>47A(1)</b>

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 10** Particular kinds of assessable income

Section 10-5

---

franked dividends, credits on .....	207-20(1), 207-35(1), 207-35(3)
see also <i>liquidation</i>	
<b>elections</b>	
local government, reimbursement of expenses of .....	25-65
see also <i>recoupment</i>	
<b>electricity connections</b>	
see <i>recoupment</i>	
<b>employees</b>	
see <i>shares</i>	
<b>employment</b>	
allowances and benefits in relation to employment or rendering services .....	15-2
employment termination payment .....	82-10 82-65 82-70
other payments for employment termination .....	83-295
return to work payments .....	15-3
see <i>accrued leave transfer payments, leave payments,</i> <i>superannuation</i> and sections 82-10A and 82-10C of <i>the Income Tax (Transitional Provisions) Act 1997</i>	
<b>environment</b>	
see <i>recoupment</i>	
<b>farm management deposits</b>	
repayments of .....	393-10
<b>films</b>	
Australian, proceeds of investment in .....	<b>26AG</b>
<b>financial arrangements</b>	
gains from .....	230-15(1)
<b>foreign exchange</b>	
gains .....	775-15
see also <i>recoupment</i>	

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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<b>foreign income tax deduction for franked distributions</b>	
Additional Tier 1 capital exception.....	15-80
<b>forestry agreement</b>	
amount where section 82KZMG of the 1936 Act	15-45
applies .....	
CGT event in relation to forestry interest in agreement....	82KZMGB
<b>forestry managed investment schemes</b>	
forestry manager's receipts under scheme .....	15-46
CGT event in relation to forestry interest in scheme for	
initial participant .....	394-25(2)
CGT event in relation to forestry interest in scheme for	
subsequent participant .....	394-30(2)
<b>franked dividends</b>	
see <i>dividends</i>	
<b>funeral policy</b>	
benefit under .....	15-55
<b>general insurance companies and companies that self</b>	
<b>insure</b>	
gross premiums .....	321-45
reduction in value of outstanding claims liability .....	321-10 and 321-80
reduction in value of unearned premium reserve .....	321-50
<b>geothermal energy</b>	
providing geothermal exploration information .....	15-40
<b>grapevines</b>	
see <i>recoupment</i>	
<b>horticultural plants</b>	
see <i>recoupment</i>	
<b>improvements</b>	
see <i>leases</i>	
<b>imputation</b>	
see <i>dividends</i>	
<b>indemnity</b>	
see <i>compensation and recoupment</i>	

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 10** Particular kinds of assessable income

**Section 10-5**

---

**insurance**

bonuses .....	<b>26AH, 15-75</b>
company, demutualisation of .....	<b>121AT</b>
life insurance, transfer of contributions by superannuation fund or approved deposit fund to .....	295-260
payments from a non-resident reinsurer in respect of a loss .....	<b>148</b>
premiums in respect of Australian business received by non-resident insurers .....	<b>143</b>
premiums paid to a non-resident for reinsurance .....	<b>148</b>
premiums paid to mutual insurance association .....	<b>121</b>
premiums payable to a non-resident for insurance of property in Australia .....	<b>142(1)</b>
premiums payable to a non-resident for insuring an event that can only happen in Australia .....	<b>142(1)</b>
premiums payable to a non-resident under an insurance contract with a resident .....	<b>142(2)</b>
rebates and premiums refunded to a superannuation fund trustee .....	295-320 (table item 4)
see also <i>compensation, life insurance companies</i> and <i>recoupment</i>	

**interest**

overpaid tax, on .....	15-35
qualifying securities, on .....	<b>159GQ, 159GW(1)</b>
see also <i>co-operative companies</i> and <i>leases</i>	

**investments**

prizes from investment-related lotteries .....	<b>26AJ</b>
qualifying securities, payments to partial residents made under .....	<b>159GW(2)</b>
qualifying securities, amount assessable to issuer of .....	<b>159GT(1B)</b>
qualifying securities, balancing adjustment on the transfer of .....	<b>159GS</b>
securities, variation in terms of .....	<b>159GV(2)</b>
securities lending arrangements .....	<b>26BC</b>

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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traditional securities, gains on the disposal or redemption of .....	<b>26BB</b>
<i>see also films and interest</i>	
<b>landcare operations</b>	
<i>see recoupment</i>	
<b>leased plant</b> .....	Division 45
<b>leases</b>	
amounts received by lessor from lessee for non-compliance with lease obligation to repair.....	15-25
interest component of payments under non-leveraged finance leases .....	<b>159GK</b>
partnership leasing property under non-leveraged finance lease, new partner or contribution of capital since 14 May 1985 .....	<b>159GO</b>
premiums relating to assignment of a lease granted before 20 September 1985.....	<b>26AB</b>
profit on disposal of previously leased motor vehicles ....	Subdivision 20-B
<b>leases of luxury cars</b>	
accrual amounts .....	242-35
adjustment amounts (lessee)	242-70
adjustment amounts (lessor)	242-65
<b>leave payments</b>	
accrued leave transfer payment .....	15-5
unused annual leave payment .....	83-10
unused long service leave payment .....	83-80
<i>see employment</i>	
<b>life insurance companies</b>	Subdivision 320-B
<b>limited recourse debt</b>	
excessive deduction amount (debtor)	243-40
excessive deduction amount (partner)	243-65
<b>liquidation</b>	
distribution to a shareholder in winding up a company ....	<b>47(1)</b>

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 10** Particular kinds of assessable income

Section 10-5

---

**live stock**

death or destruction of .....	Subdivision 385-E
departing Australia and .....	385-160, 385-163
insolvency, and .....	385-160, 385-163
profits on death or disposal of .....	Subdivision 385-E, 385-160

see also *compensation* and *trading stock*

**long service leave**

see *leave payments*

**losses**

see *compensation*

**lotteries**

see *investments*

**managed investment trusts**

gains etc. from carried interests .....	275-200(2)
---	------------

**meals**

see *benefits*

**Mining**

providing mining, quarrying or prospecting information .....	15-40
---	-------

**minors**

see *child*

**motor vehicles**

see *car expenses* and *leases*

**mutual insurance**

see *insurance*

**non-cash benefits**

see *benefits* and *employment*

**notional sales and loans**

adjustment amounts (lessee) .....	240-110(2)
adjustment amounts (lessor) .....	240-105(2)
notional interest.....	240-35(1)
profit on actual sale .....	240-35(3)

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

profit on notional sale .....	240-35(2)
<b>offshore banking units</b>	
<i>see banking</i>	
<b>partnerships</b>	
net income of, partner's interest in .....	92(1)
uncontrolled partnership income, effect of .....	94
<i>see also leases</i>	
<b>petroleum</b>	
resource rent tax, recovery of .....	20-30(1)
<i>see also capital allowances</i>	
<b>premiums</b>	
<i>see insurance, leases and superannuation</i>	
<b>primary production</b>	
<i>see recoupment</i>	
<b>prizes</b>	
<i>see investments</i>	
<b>profits</b>	
cross-border transfer pricing .....	815-30
profit-making undertaking or plan .....	15-15
sale of property acquired before 20 September 1985	
for profit-making by sale .....	25A
<i>see also avoidance of tax</i>	
<b>Project pools</b>	
An amount received for the abandonment, sale or other	
disposal of a project.....	40-830, 40-832
<b>property</b>	
<i>see profits and trusts</i>	
<b>quarrying</b>	
<i>see mining and recoupment</i>	
<b>R&amp;D</b>	
balancing adjustment .....	40-292, 40-293, 355-315 and 355-525
disposal of R&D results .....	355-410

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 10** Particular kinds of assessable income

**Section 10-5**

---

recoupments and feedstock adjustments .....	355-450
<b>rates</b>	
<i>see recoupment</i>	
<b>recoupment</b>	
insurance or indemnity for deductible losses or outgoings .....	Subdivision 20-A
other recoupment for certain deductible losses or outgoings .....	Subdivision 20-A
<i>see also car expenses, compensation, elections and         petroleum</i>	
<b>registered emissions units</b>	
disposal of .....	420-25
disposal for a non-commercial purpose.....	420-40
difference between opening and closing value of .....	420-45
<b>reimbursements</b>	
<i>see car expenses, dividends, elections, petroleum and         recoupment</i>	
<b>reinsurance</b>	
<i>see insurance</i>	
<b>retirement payments</b>	
<i>see directors, leave payments and shareholders</i>	
<b>rights to income</b>	
<i>see transfers of income</i>	
<b>roads</b>	
<i>see timber</i>	
<b>royalties</b>	
.....	15-20
<b>schemes</b>	
<i>see avoidance of tax</i>	
<b>scholarship plan</b>	
benefit under .....	15-60
<b>scientific research</b>	
consideration for disposal or destruction of buildings acquired for scientific research .....	<b>73A(4)</b>

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---



**securities**

see *investments*

**services**

see *co-operative companies, employment, loans and trusts*

**shareholders**

excessive remuneration or retirement payment from  
 company ..... **109**  
 loans, payments and credits from company ..... **Division 7A of  
 Part III**

see also *dividends*

**shares**

acquired in a debt/equity swap, profit on the disposal  
 cancellation or redemption of ..... **63E(4)**  
 bonus shares, cost of ..... **6BA**  
 buy-backs ..... **159GZZZJ to  
 159GZZZT**  
 employee share schemes ..... Subdivisions  
 83A-B and 83A-C  
 holding company shares held by a subsidiary,  
 cancellation of ..... **159GZZZC to  
 159GZZZI**

see also *dividends*

**shipping**

goods shipped in Australia, amounts paid to foreign  
 shipowners and charterers for ..... **129**

**subsidiaries**

..... 15-10

**superannuation**

associated earnings on non-concessional contributions ... Subdivision 292-B  
 benefits generally ..... Divisions 301 to 306  
 benefits in breach of legislative requirements ..... Division 304  
 benefits received from older superannuation funds ..... **26AF, 26AFA**  
 complying fund becomes non-complying, effect of ..... 295-320 (table  
 item 2)

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 10** Particular kinds of assessable income

**Section 10-5**

---

contributions to an approved deposit fund .....	Subdivisions 295-C and 295-D
contributions to an RSA .....	Subdivision 295-C
contributions to a superannuation fund .....	Subdivisions 295-C and 295-D
death benefits .....	302-75 302-85 302-90 302-145
excess concessional contributions .....	291-15(a)
first home super saver scheme .....	313-20
foreign superannuation funds and schemes, benefits from .....	305-70
member benefits .....	301-20 301-25 301-35 301-40 Subdivision 301-C
foreign fund becoming Australian, effect of .....	295-320 (table item 3)
no-TFN contributions income .....	295-605
release authorities, payments from .....	304-20
returned contributions .....	290-100
trustee's liability to pay tax .....	295-5(2) and (3)
see <i>insurance</i>	
<b>tax avoidance</b>	
see <i>avoidance of tax and transfers of income</i>	
<b>tax exempt entities</b>	
treatment of income and gains on becoming taxable .....	<b>Schedule 2D</b>
<b>taxes</b>	
see <i>dividends, foreign investment funds, interest and     recoupment</i>	
<b>termination of employment</b>	
see <i>directors, eligible termination payments, leave     payments and shareholders</i>	

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**theft**

see *recoupment*

**trading stock**

change in interests in .....	70-100
death of trader and .....	70-105
difference between opening and closing value of .....	70-35
disposal not at arm's length .....	70-20
disposal of outside ordinary course of business .....	70-90, 70-95

see also *compensation* and *tax exempt entities*

**transfer pricing**

arm's length principle for cross-border conditions between entities .....	Subdivision 815-B
arm's length principle for permanent establishments.....	Subdivision 815-C

**transfers of income**

consideration for transfer of right to income .....	<b>102CA</b>
payments for transfer or disposal of property .....	<b>262</b>
transferee, effect on of transfer of right to income .....	<b>102C</b>
transferor, effect on of transfer of right to income .....	<b>102B</b>

**travel expenses**

see *car expenses*

**trusts**

beneficiary under legal disability or with a vested and indefeasible interest in trust income .....	<b>100</b>
deceased estates, income of .....	<b>101A</b>
discretionary trusts .....	<b>101</b>
net income of a trust estate, your present entitlement to	<b>97, 101</b>
non-resident beneficiaries, liability to tax of .....	<b>98A</b>
non-resident trust estates to which you have transferred property or services, income of .....	<b>102AAZD</b>
property of applied for benefit of beneficiaries .....	<b>99B</b>
trust estate includes income from another trust estate	<b>94(5)</b>
trustees' liability to tax .....	<b>98, 99, 99A, 102, 102S</b>

see also *avoidance of tax* and *superannuation*

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 10** Particular kinds of assessable income

Section 10-5

---

**unearned income**

see *child*

**units**

acquired in a debt/equity swap, profit on the disposal,  
cancellation or redemption of ..... **63E(4)**

**water conservation**

see *recoupment*

**winding-up**

see *insurance* and *liquidation*

**wool clips**

double wool clips, treatment of ..... 385-135, 385-155

**work in progress**

receipt of a work in progress amount ..... 15-50

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

## **Division 11—Particular kinds of non-assessable income**

### **Table of Subdivisions**

11-A	Lists of classes of exempt income
11-B	Particular kinds of non-assessable non-exempt income

### **Subdivision 11-A—Lists of classes of exempt income**

#### **Table of sections**

11-1A	Effect of this Subdivision
11-1	Overview
11-5	Entities that are exempt, no matter what kind of ordinary or statutory income they have
11-15	Ordinary or statutory income which is exempt

#### **11-1A Effect of this Subdivision**

This Subdivision is a \*Guide.

#### **11-1 Overview**

Ordinary income or statutory income which is exempt from income tax can be divided into 2 main classes:

- (a) ordinary or statutory income of entities that are exempt, no matter what kind of ordinary or statutory income they have (see table in section 11-5);
- (b) ordinary or statutory income of a kind that is exempt (see table in section 11-15).

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 11** Particular kinds of non-assessable income

Section 11-5

---

**11-5 Entities that are exempt, no matter what kind of ordinary or statutory income they have**

Provisions of the *Income Tax Assessment Act 1997* are identified in normal text. The other provisions, **in bold**, are provisions of the *Income Tax Assessment Act 1936*.

Note: Special rules apply to entities that cease to be exempt. See Schedule 2D to the *Income Tax Assessment Act 1936*.

**charity, education or science**

educational institution, public .....	50-5
registered charity .....	50-5
scientific institution .....	50-5
scientific research fund .....	50-5
scientific society etc. ....	50-5

**community service**

community service society etc. ....	50-10
-------------------------------------	-------

**employees and employers**

employee association .....	50-15
employer association .....	50-15
trade union .....	50-15

**government**

constitutionally protected fund .....	50-25
local governing body .....	50-25
municipal corporation .....	50-25
public authority .....	50-25
state/territory bodies .....	<b>24AK to 24AZ</b>

**health**

health benefits organisation .....	50-30
hospital .....	50-30
medical benefits organisation .....	50-30

**HIH rescue package**

HIH Claims Support Trust .....	322-10
--------------------------------	--------

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**mining**

British Phosphate Commissioners Banaba Contingency Fund.....	50-35
---	-------

**primary or secondary resources, and tourism**

agricultural society etc. ....	50-40
aviation society etc. ....	50-40
Global Infrastructure Hub Ltd .....	50-40
horticultural society etc. ....	50-40
industrial society etc. ....	50-40
manufacturing society etc. ....	50-40
pastoral society etc. ....	50-40
tourism society etc. ....	50-40
viticultural society etc. ....	50-40

**sports, culture or recreation**

animal racing society etc. ....	50-45
art society etc. ....	50-45
game society etc. ....	50-45
ICC Business Corporation FZ-LLC .....	50-45
literature society etc. ....	50-45
music society etc. ....	50-45
sport society etc. ....	50-45

**11-15 Ordinary or statutory income which is exempt**

Provisions of the *Income Tax Assessment Act 1997* are identified in normal text. The other provisions, **in bold**, are provisions of the *Income Tax Assessment Act 1936*.

**agricultural industry exit grants**

tobacco industry exit grants .....	53-10
------------------------------------	-------

**copyright collecting societies**

51-43

**Coronavirus economic response payment**

certain payments in accordance with the <i>Coronavirus Economic Response Package (Payments and</i>	53-25
--	-------

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 11** Particular kinds of non-assessable income

**Section 11-15**

---

<i>Benefits) Act 2020</i> .....	
<b>credit unions</b>	
interest.....	<b>23G</b>
<b>defence</b>	
Defence Force member, allowances.....	51-5
Defence Force member, compensation payments for loss of deployment allowance for warlike service.....	51-5
Defence Force Ombudsman recommendation, reparation payments and additional payments in relation to.....	51-5
F-111 Deseal/Reseal Ex-gratia Lump Sum Payments .....	51-5
Former Reserve Defence Force member, compensation payments for loss of pay and/or allowances .....	51-5
Reserve Defence Force member, pay and allowances .....	51-5
<b>disasters</b>	
2018 storms—relief payments .....	51-125
<b>dividends or shares</b>	
pooled development fund company dividend .....	<b>124ZM</b>
pooled development fund company shares, income from sale of .....	<b>124ZN</b>
<b>education and training</b>	
Apprenticeship Wage Top-Up payment, recipient of.....	51-10
bursary, educational allowance etc. ....	51-10 and 51-35
Commonwealth Trade Learning Scholarship, recipient of .....	51-10
CRAFT scheme, employer’s income from .....	51-10
early completion bonuses for apprentices .....	51-10 and 51-42
Endeavour Awards, research fellowship under .....	51-10
Endeavour Executive Award.....	51-10
foreign student, scholarship and bursary to.....	842-105
full-time student, income from a scholarship, bursary, other educational allowance or educational assistance .....	51-10 and 51-35
isolated child, income for the provision of education of...	51-10 and 51-40

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---



secondary student, income for the provision of education of .....	51-10 and 51-40
Skills for Sustainability for Australian Apprentices payment, recipient of.....	51-10
Tools for Your Trade payment (under the program known as the Australian Apprenticeships Incentives Program), recipient of .....	51-10
<b>family assistance</b>	
additional child care subsidy .....	52-150
additional economic support payment 2020 or additional economic support payment 2021 .....	52-150
back to school bonus or single income family bonus .....	52-150
child care subsidy .....	52-150
clean energy advance .....	52-150
economic security strategy payment to families .....	52-150
economic support payment, first or second 2020 payment .....	52-150
ETR payment .....	52-150
ETR payment, payments under the scheme determined under Part 2 of Schedule 1 to the <i>Family Assistance and Other Legislation Amendment (Schoolkids Bonus Budget Measures) Act 2012</i> .....	52-162
families, payments to, under the scheme determined under Schedule 4 to the <i>Social Security and Other Legislation Amendment (Economic Security Strategy) Act 2008</i> .....	52-160
family tax benefit .....	52-150
<i>Household Stimulus Package Act (No. 2) 2009</i> , payments under scheme determined under Schedule 4 to the .....	52-165
single income family supplement.....	52-150
stillborn baby payment.....	52-150
<b>financial arrangements</b>	
gains related to exempt income.....	230-30

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 11** Particular kinds of non-assessable income

Section 11-15

---

**financial transactions**

pooled development fund company dividends ..... **124ZM**

pooled development fund company shares, income  
from sale of ..... **124ZN**

**foreign aspects of income taxation**

approved overseas project, income from ..... **23AF**

Australian-American Education Foundation, grant  
from ..... 51-10

Commonwealth of Nations country officer, official  
salary and foreign income ..... 768-100

consul and official staff member, official salary and  
foreign income ..... 768-100

Defence Force member, foreign resident, pay and  
allowances of ..... 842-105

Defence Force member, pay and allowances from  
being on eligible duty ..... **23AD**

defence of Australia, overseas person's income from  
assisting in Australia's defence ..... 842-105

diplomat and official staff member, official salary and  
foreign income ..... 768-100

educational, scientific, religious or philanthropic  
society, income of a visiting representative of ..... 842-105

expert, foreign resident, remuneration of ..... 842-105

foreign society or association representative, income of  
..... 842-105

forex realisation gains, certain ..... 775-20

government representative and members of the  
entourage, foreign resident, income of ..... 842-105

OBU investment trusts for overseas charitable  
institutions ..... **121EL(2)**

OBU off-shore investment trusts, income to which  
subsection **121D(6)** applies ..... **121EL**

overseas charitable institutions, income from OBUs ..... **121ELA(1)**

overseas employment income, resident, income of ..... **23AG**

persecution victim, payments to ..... 768-105

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

press representative, foreign, income of .....	842-105
resistance fighter and victim of wartime persecution, payments to .....	768-105
United Nations, income from service with .....	<b>23AB</b>
United States projects, income from approved overseas projects .....	<b>23AA</b>
<b>health</b>	
Continence Aids Payment Scheme, payments under .....	52-175
<b>interest</b>	
judgement debt, personal injury .....	51-57
unclaimed money and property .....	51-120
<b>life insurance companies</b>	Subdivision 320-B
<b>National Disability Insurance Scheme</b>	
NDIS amounts .....	52-180
<b>non-cash benefits</b>	
business benefit .....	<b>23L(2)</b>
exempt fringe benefit .....	<b>23L(1A)</b>
<b>prizes</b>	
Prime Minister’s Literary Awards .....	51-60
Prime Minister’s Prize for Australian History .....	51-60
Prime Minister’s Prize for Science .....	51-60
<b>resale royalty collecting societies</b>	51-45
<b>shipping</b>	
income from shipping activities .....	51-100
<b>social security or like payments</b>	
ABSTUDY scheme, payment under .....	Subdivision 52-E
additional economic support payment 2020 or additional economic support payment 2021 under the <i>Social Security Act 1991</i> .....	52-10
additional economic support payment 2020 or additional economic support payment 2021 under the <i>Veterans’ Entitlements Act 1986</i> .....	52-65
Australian Victim of Terrorism Overseas Payment .....	52-10

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 11** Particular kinds of non-assessable income

**Section 11-15**

---

Better Start for Children with Disability initiative, Outer Regional and Remote payment under .....	52-172
carer adjustment payment .....	53-10
carers, 2005 one-off payment to, (carer payment related), 2005 one-off payment to carers (carer service pension related) or 2005 one-off payment to carers (carer allowance related) .....	52-10
carers, 2006 one-off payment to, (carer payment related), 2006 one-off payment to carers (wife pension related), 2006 one-off payment to carers (partner service pension related), 2006 one-off payment to carers (carer service pension related) or 2006 one-off payment to carers (carer allowance related) .....	52-10
carers, 2007 one-off payment to, (carer payment related), 2007 one-off payment to carers (wife pension related), 2007 one-off payment to carers (partner service pension related), 2007 one-off payment to carers (carer service pension related) or 2007 one-off payment to carers (carer allowance related).....	52-10
carers, 2008 one-off payment to, (carer payment related), 2008 one-off payment to carers (wife pension related), 2008 one-off payment to carers (partner service pension related), 2008 one-off payment to carers (carer service pension related) or 2008 one-off payment to carers (carer allowance related) .....	52-10
carers, one-off payment to, (carer allowance related) or one-off payment to carers (carer payment related) .....	52-10
carers, payments to, under the scheme determined under Schedule 3 to the <i>Family Assistance Legislation Amendment (More Help for Families— One-off Payments) Act 2004</i> .....	52-10
carer supplement. ....	52-10
child disability assistance.....	Subdivision 52-A
clean energy payment under the <i>Social Security Act</i>	

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

1991.....	52-10
clean energy payment under the <i>Veterans' Entitlements Act 1986</i> .....	52-65
clean energy payment under the scheme prepared under Part VII of the <i>Veterans' Entitlements Act 1986</i> .....	52-65
clean energy payment under the <i>Military Rehabilitation and Compensation Act 2004</i> .....	52-114
clean energy payment under the scheme determined under section 258 of the <i>Military Rehabilitation and Compensation Act 2004</i> .....	52-114
Commonwealth education or training payment .....	Subdivision 52-F
cost of living payment 2022 under the <i>Social Security Act 1991</i> .....	52-10
cost of living payment 2022 under the <i>Veterans' Entitlements Act 1986</i> .....	52-65
disability services payment .....	53-10
economic security strategy payment under the <i>Social Security Act 1991</i> .....	52-10
economic support payment, first or second 2020 payment under the <i>Social Security Act 1991</i> .....	52-10
economic support payment, first or second 2020 payment under the <i>Veterans' Entitlements Act 1986</i> ...	52-65
education entry payment supplement under the <i>Social Security Act 1991</i> .....	52-10
energy assistance payment, one-off payment under the <i>Social Security Act 1991</i> .....	52-10
energy assistance payment, one-off payment under the <i>Veterans' Entitlements Act 1986</i> .....	52-65
ETR payment, payments under the scheme determined under Part 2 of Schedule 1 to the <i>Family Assistance and Other Legislation Amendment (Schoolkids Bonus Budget Measures) Act 2012</i> .....	52-162
farm household allowance under the <i>Farm Household Support Act 2014</i> .....	Subdivision 52-A
Helping Children with Autism package, Outer	

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 11** Particular kinds of non-assessable income

**Section 11-15**

---

Regional and Remote payment under .....	52-170
<i>Household Stimulus Package Act (No. 2) 2009</i> , payments under the scheme determined under Schedule 4 to the .....	52-165
pension bonus and pension bonus bereavement payment .....	52-10 and 52-65
persecution victim, payments to .....	768-105
pharmaceutical supplement for Australian participants in British nuclear tests or in the British Commonwealth Occupation Force .....	Subdivision 52-CB
pharmaceutical supplement for Australian surgical-medical team members .....	Subdivision 52-CC
resistance fighter and victim of wartime persecution, payments to .....	768-105
<i>Social Security and Other Legislation Amendment (Economic Security Strategy) Act 2008</i> , payments under the scheme determined under Schedule 4 to the .....	52-160
<i>Social Security and Veterans' Affairs Legislation Amendment (One-off Payments and Other 2007 Budget Measures) Act 2007</i> , payments under a scheme determined under item 1 of Schedule 2 to the .....	52-10
<i>Social Security and Veterans' Affairs Legislation Amendment (One-off Payments and Other 2007 Budget Measures) Act 2007</i> , payments under the scheme determined under Schedule 4 to the .....	52-10
<i>Social Security and Veterans' Entitlements Legislation Amendment (One-off Payments and Other Budget Measures) Act 2008</i> , payments under a scheme determined under item 1 of Schedule 2 to the .....	52-10
<i>Social Security and Veterans' Entitlements Legislation Amendment (One-off Payments and Other Budget Measures) Act 2008</i> , payments under the scheme determined under Schedule 4 to the .....	52-10
<i>Social Security and Veterans' Entitlements Legislation Amendment (One-off Payments to Increase</i>	

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

<i>Assistance for Older Australians and Carers and Other Measures) Act 2006</i> , payments under the scheme determined under item 1 of Schedule 2 to the .....	52-10
<i>Social Security and Veterans' Entitlements Legislation Amendment (One-off Payments to Increase Assistance for Older Australians and Carers and Other Measures) Act 2006</i> , payments under the scheme determined under Schedule 4 to the.....	52-10
<i>Social Security Legislation Amendment (One-off Payments for Carers) Act 2005</i> , payments under the scheme determined under Schedule 2 to the.....	52-10
social security payments .....	Subdivision 52-A
training and learning bonus under the <i>Social Security Act 1991</i> .....	52-10
travelling expenses for Australian participants in British nuclear tests or in the British Commonwealth Occupation Force .....	Subdivision 52-CB
travelling expenses for Australian surgical-medical team members .....	Subdivision 52-CC
veteran, Australian and United Kingdom, payment to .....	53-20
veteran, payment to .....	Subdivisions 52-B and 52-C
<i>Veterans' Entitlements Act 1986</i> , lump sum payment under section 198N of the .....	52-65
wounds and disability pension .....	53-10
see also <i>welfare</i>	
<b>structured settlements and structured orders</b>	
annuities and lump sums .....	Subdivisions 54-B, 54-C and 54-D
<b>student</b>	
see <i>education and training</i>	
<b>superannuation and related business</b>	
approved deposit fund, continuously complying fixed interest, income from 25 May 1988 deposits .....	295-390 of the <i>Income Tax (Transitional)</i>

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 11** Particular kinds of non-assessable income

**Section 11-15**

---

	<i>Provisions) Act 1997</i>
approved deposit fund, income from a grant of financial assistance under Part 23 of the <i>Superannuation Industry (Supervision) Act 1993</i> .....	295-405 (table item 1)
approved deposit fund, non-reversionary bonuses on policies of life assurance .....	295-335 (table item 1)
benefits from non-complying funds .....	305-5
pooled superannuation trust, income from constitutionally protected funds .....	295-335 (table item 2)
pooled superannuation trust, income from current pension liabilities of complying superannuation funds .....	295-400
pooled superannuation trust, non-reversionary bonuses on policies of life assurance .....	295-335 (table item 1)
superannuation fund, income from other assets used to meet current pension liabilities .....	295-390
superannuation fund, income from segregated current pensions assets .....	295-385
superannuation fund, non-reversionary bonuses on policies of life assurance .....	295-335 (table item 1)
superannuation fund, regulated, income from a grant of financial assistance under Part 23 of the <i>Superannuation Industry (Supervision) Act 1993</i> .....	295-405 (table item 1)
<b>Territories Stolen Generations Redress Scheme</b>	
Territories Stolen Generations Redress Scheme payments .....	53-30
<b>United Nations</b>	
United Nations Service, income from .....	<b>23AB</b>
<b>venture capital</b>	
eligible venture capital investments, gain or profit from realisation of .....	51-54
eligible venture capital investments by ESVCLPs, income derived from .....	51-52
venture capital equity, gain or profit from realisation of...	51-55

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---



**welfare**

Disaster recovery payments to special category visa (subclass 444) holders .....	51-30
maintenance payment.....	51-30 and 51-50
thalidomide payment—payment under the Support for Australia’s Thalidomide Survivors program .....	51-30
thalidomide payment—payment by the Thalidomide Australia Fixed Trust.....	51-30

see also *social security or like payments*

Note: The following provisions of the *Income Tax Assessment Act 1936* give rise to *notional* exempt income and *not* exempt income. For this reason the provisions do not appear in the lists of kinds of exempt income.

The provisions are: paragraphs 384(1)(b) and 385(1)(b), subsection 402(2) and section 403.

## **Subdivision 11-B—Particular kinds of non-assessable non-exempt income**

### **Table of sections**

11-50	Effect of this Subdivision
11-55	List of non-assessable non-exempt income provisions

### **11-50 Effect of this Subdivision**

This Subdivision is a \*Guide.

### **11-55 List of non-assessable non-exempt income provisions**

The provisions set out in the list make amounts non-assessable non-exempt income.

Provisions of the *Income Tax Assessment Act 1997* are identified in normal text. The other provisions, **in bold**, are provisions of the *Income Tax Assessment Act 1936*.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 11** Particular kinds of non-assessable income

**Section 11-55**

---

**alienated personal services income**

associate, non-deductible payment or obligation to .....	85-20(3)
entitlements to a share of net income that is personal services income already assessable to an individual.....	86-35(2)
payments by personal services entity or associate of personal services income already assessable to an individual.....	86-35(1)
personal services entity, amounts of personal services income assessable to an individual.....	86-30

**bonds**

see *securities*

**capital gains tax**

small business retirement exemption, payments made directly or indirectly to CGT concession stakeholder so company or trust complies with section 152-325 .....	152-310
---	---------

**cash flow boost**

payments in accordance with the <i>Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020</i> .....	59-90
--	-------

**Coronavirus economic response**

certain payments in accordance with the <i>Coronavirus Economic Response Package (Payments and Benefits) Act 2020</i> .....	59-95
State and Territory grants to small business relating to the recovery from the coronavirus.....	59-97
Commonwealth small business support payments relating to the coronavirus .....	59-98

**COVID-19 disaster payment**

59-96

**demutualisation of friendly society health or life insurers**

amounts related to issue, or transfer from lost policy holders trust, of demutualisation assets .....	316-255
payments received directly, or from lost policy holders trust, in exchange for cancellation or variation of	

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

interests under the demutualisation .....	316-255
<b>demutualisation of private health insurers</b>	
market value of shares and rights at time of issue.....	315-310
payments received in exchange for cancellation or variation of interests under the demutualisation .....	315-310
<b>disasters</b>	
2019-20 bushfires—payments for volunteer work with fire services .....	59-55
2019-20 bushfires—disaster relief payments and non-cash benefits .....	59-60
2019 floods—recovery grants .....	59-85
2019 floods—on-farm grant program .....	59-86
2021 floods and storms—recovery grants.....	59-99
<b>dividends</b>	
demerger dividends .....	<b>44(4)</b>
later dividend set off against amount taken to be dividend.....	<b>109ZC(3), 109ZCA(4)</b>
<b>electricity generation</b>	
refund of large-scale generation shortfall charge .....	59-100
<b>employment</b>	
early retirement scheme payment, tax free amount of .....	83-170
employment termination payment .....	82-10 82-65 82-70
foreign termination payment .....	83-235 83-240
genuine redundancy payment, tax free amount of .....	83-170
unused long service leave payment, pre-16/8/78 period .....	83-80
see <i>superannuation</i> and sections 82-10A and 82-10C of the <i>Income Tax (Transitional Provisions) Act</i> <i>1997</i>	
<b>environment</b>	
water infrastructure improvement payments .....	59-65

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**Chapter 1** Introduction and core provisions  
**Part 1-4** Checklists of what is covered by concepts used in the core provisions  
**Division 11** Particular kinds of non-assessable income

Section 11-55

---

<b>farm-in farm-out arrangements</b>	
rewards for providing exploration benefits .....	40-1135
<b>financial arrangements</b>	
gains related to non-assessable non-exempt income .....	230-30
<b>firearms surrender arrangements</b>	
compensation under .....	59-10
<b>foreign aspects of income taxation</b>	
attributed controlled foreign company income, amounts paid out of .....	<b>23AI</b>
attributed foreign investment fund income, amounts paid out of .....	<b>23AK</b>
certain forex realisation gains .....	775-25
branch profits of Australian companies .....	<b>23AH</b>
distributions of conduit foreign income .....	802-20
income derived by foreign residents in exclusive economic zone or on or above continental shelf .....	768-110
foreign equity distributions on participation interests .....	768-5
income derived by temporary residents. ....	768-910
interest paid by temporary residents .....	768-980
managed investment trust withholding tax, amount subject to .....	840-815
labour mobility program withholding tax, amount subject to .....	840-915
superannuation fund, foreign, interest and dividend income of .....	<b>128B(3)(jb)</b>
withholding tax, dividend royalty or interest subject to ....	<b>128D</b>
<b>GST</b>	
GST payable on a taxable supply .....	17-5(a)
increasing adjustments .....	17-5(b) and (c)
<b>investment manager regime</b>	
IMR concessions .....	842-215
<b>life insurance companies</b> .....	Subdivision 320-B

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

<b>mining</b>	
withholding tax, payments to Indigenous persons and distributing bodies subject to.....	59-15
<b>mutual receipts</b>	
amounts that would be mutual receipts but for prohibition on distributions to members or issue of MCIs.....	59-35
<b>National Rental Affordability Scheme</b>	
payments made, and non-cash benefits provided, by a State or Territory governmental body in relation to participation in the National Rental Affordability Scheme.....	380-35
<b>native title benefits</b>	
native title benefits.....	59-50
<b>non-cash benefits</b>	
fringe benefits.....	<b>23L(1)</b>
<b>notional sale and loan</b>	
arrangement payments a notional seller receives or is entitled to receive.....	240-40
luxury car leases, lease payments that the lessor receives or is entitled to receive.....	242-40
deemed loan treatment for financial benefits provided for tax preferred use of asset.....	250-160
<b>related entities</b>	
amounts from, where deduction reduced for.....	26-35(4)
<b>repayable amounts</b>	
previously assessable amounts.....	59-30
<b>rights to acquire shares or units</b>	
market value of at time of issue.....	59-40
<b>small business assets</b>	
income arising from CGT event, company or trust owned asset continuously for 15 years.....	152-110(2)
<b>sovereign entities</b> .....	Subdivision 880-C
<b>superannuation</b>	
benefits generally .....	Divisions 301 to 306

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 11** Particular kinds of non-assessable income

**Section 11-55**

---

commutation of income stream, under 25 years .....	303-5
death benefits .....	302-60
	302-65
	302-70
	302-140
departing Australia superannuation benefits .....	301-175
foreign superannuation funds, lump sum benefits .....	305-60
	305-65
	305-70
KiwiSaver schemes, contributions to complying superannuation funds from .....	312-10
KiwiSaver schemes, superannuation benefits paid from complying superannuation funds to .....	312-15
KiwiSaver schemes, superannuation benefits paid by Commissioner to .....	312-20
member benefits .....	301-10
	301-15
	301-30
	301-225
release authorities, payments from .....	303-15
	303-20
roll-over superannuation benefits .....	306-5
superannuation lump sum for recipient having terminal medical condition .....	303-10
unclaimed money payment to government .....	306-20
<b>tax loss transfers</b>	
consideration received by loss company from income company, generally .....	170-25(1)
consideration received by loss company from income company, net capital loss.....	170-125(1)
consideration received for transfer of tax losses relating to transitioned petroleum activities .....	417-70
<b>temporary residents</b>	
<i>see foreign aspects of income taxation</i>	

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**trading stock**

disposal outside ordinary course of business, amounts  
received upon ..... 70-90(2)

**transfer of entitlements to deductions**

consideration received for transfer of entitlements to  
deductions relating to transitioned petroleum  
activities ..... 417-70

**trusts**

attributable income, amounts representing..... **99B(2A)**  
family trust distribution tax, amounts subject to ..... **271-105(3) in**  
**Schedule 2F**

**windfall amounts**

business franchise fees, refund of when invalid..... 59-20  
State tax on Commonwealth place, refund of when  
invalid..... 59-25

**withholding taxes**

see *foreign aspects of income taxation and mining*

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

## **Division 12—Particular kinds of deductions**

### **12-1 Effect of this Division**

This Division is a \*Guide.

### **12-5 List of provisions about deductions**

The provisions set out in the table contain rules about specific types of deduction.

Provisions of the *Income Tax Assessment Act 1997* are identified in normal text. The other provisions, **in bold**, are provisions of the *Income Tax Assessment Act 1936*.

<b>accrued leave transfer payments</b>	
.....	26-10
<b>advance expenditure</b>	
generally .....	<b>82KZL to 82KZO</b>
avoidance arrangements .....	<b>82KJ</b>
when deductible .....	<b>82KZM to 82KZN</b>
<b>bad debts</b>	
deduction reduced because of forgiveness of debt if debtor and creditor are companies under common ownership and agree on the reduction .....	245-90
general .....	25-35, <b>63F</b>
companies .....	Subdivisions 165-C, 166-C and 175-C
debt/equity swaps .....	<b>63E, 63F</b> , 709-220
deduction of a debt that used to be owed to a member of a consolidated group or MEC group by an entity that used to be a member of the group .....	Subdivisions 709-D and 719-I
money lenders, listed country branches, no deduction for .....	<b>63D</b>

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---



see also *losses*

**balancing adjustment**

see *buildings, capital allowances, industrial property, R&D and tax exempt entities*

**banks**

foreign banks, Australian branches of ..... **160ZZVA to 160ZZZJ**

**boats**

deferral of deductions ..... 26-47

**borrowing expenses**

..... 25-25

**bribes to foreign public officials** ..... 26-52

**bribes to public officials** ..... 26-53

**buildings**

income producing buildings, capital allowances ..... Division 43

see also *heritage conservation work*

**capital allowances**

generally ..... Division 40

balancing adjustments ..... 40-285(2), 40-370

business related costs ..... 40-880

electricity and telephone lines ..... 40-645

environmental protection activities ..... 40-755

exploration or prospecting ..... 40-80(1), 40-730

in-house software ..... 40-335, 40-455

intellectual property ..... Subdivisions 40-B and 40-I

IRUs ..... Subdivision 40-B

landcare operations ..... 40-630

low-value and software development pools ..... Subdivision 40-E

mining and quarrying ..... Subdivision 40-H and Subdivision 40-I

new business investment, additional deduction ..... Division 41

Petroleum Resource Rent Tax ..... 40-750

project pools ..... 40-830, 40-832

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 12** Particular kinds of deductions

**Section 12-5**

---

reducing deductions .....	40-25, 40-27, 40-290 and 40-291
spectrum licences .....	Subdivision 40-B
tax preferred use of asset.....	Division 250
telecommunications site access rights .....	Subdivision 40-B
trees in carbon sink forests .....	Subdivision 40-J
water facilities, horticultural plants, fodder storage assets and fencing assets .....	Subdivision 40-F
<b>capital gains</b>	
no deduction for an amount that would otherwise be deductible only because a net capital gain is included in assessable income .....	<b>51AAA</b>
small business retirement exemption, no deduction for payments made directly or indirectly to CGT concession stakeholder so company or trust complies with section 152-325.....	152-310
see also <i>foreign residents</i>	
<b>capital loss</b>	
net capital loss, no deduction for .....	102-10
net capital loss, transfer within company group .....	Subdivision 170-B
<b>car disposal</b>	
see <i>capital allowances</i>	
<b>car expenses</b>	
generally .....	Division 28
“cents per kilometre” method .....	Subdivision 28-C
“log book” method .....	Subdivisions 28-F and 28-G
substantiation of car expenses .....	Division 900
see also <i>transport expenses</i>	
<b>car expenses of employee</b>	
employee’s car expenses where car provided by employer can be used for private purposes, no deduction for .....	<b>51AF</b>
<b>carried interests</b>	
carried interests, no deduction for .....	118-21

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

<b>car parking</b>	
employee's car parking expenses, no deduction for .....	<b>51AGA</b>
<b>children's income</b>	
generally .....	<b>102AA to 102AH</b>
taxable income of a child, deductions taken into consideration in calculating .....	<b>102AD</b>
<b>club fees</b>	
club fees, no deduction for .....	26-45
see also <i>subscriptions to associations</i>	
<b>Commonwealth places windfall tax</b>	
.....	26-17
<b>companies, co-operative and mutual</b>	
generally .....	<b>117 to 121</b>
distributions of assessable income .....	<b>120</b>
<b>companies, private</b>	
excessive payments to shareholders directors and associates, reduced deduction .....	<b>109</b>
<b>conservation covenants</b>	
.....	Division 31
<b>consolidated groups and MEC groups</b>	
assets in relation to Division 230 financial arrangement .....	701-61(4)
<b>controlled foreign companies</b>	
generally .....	<b>316 to 468</b>
bad debts .....	<b>399A</b>
decline in value of depreciating assets .....	<b>398</b>
finance share dividends .....	<b>394</b>
taxes paid .....	<b>393</b>
<b>convertible notes</b>	
see <i>interest</i>	
<b>copyrights</b>	
expenditure in obtaining registration .....	Subdivisions 40-B and 40-I

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

Section 12-5

---

**COVID-19**

expenditure on COVID-19 tests ..... 25-125

**cross staple arrangements**

rent from land investment ..... 25-115, 25-120

**currency exchange gains and losses**

see *foreign exchange*

**death of timber owner**

see *timber*

**debt interests**

certain returns in respect of debt interests ..... 25-85

**depreciation**

see *capital allowances*

**designs**

expenditure in obtaining or extending registration ..... Subdivisions 40-B  
and 40-I

**disposal of depreciating assets**

see *capital allowances*

**dividends**

dividends including LIC capital gain component ..... 115-280

franking credits, companies and foreign residents ..... 207-95(2), 207-95(3),  
220-405(3)

franking credits, pooled development funds (PDFs) ..... **124ZM**

non-share equity interests, no deduction for return in  
respect of ..... 26-26

unfranked non-portfolio dividends ..... **46FA**

**education expenses**

Higher Education Contribution Scheme, no deduction  
unless provided as fringe benefit ..... 26-20

limit on deduction ..... **82A**

see also *overseas debtors repayment levy*

see also *student start-up loans*

see also *VET student loans*

**election expenses**

Federal and State Parliament election expenses ..... 25-60, 25-70

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

- local government election expenses, limited deduction  
for ..... 25-65, 25-70
- electricity connections**  
see *capital allowances*
- embezzlement**  
see *theft*
- employees**  
labour mobility programs, delayed deduction for  
salary, wages etc. paid to employees under program  
until labour mobility program withholding tax  
payable has been paid ..... 26-25A  
pensions, gratuities or retiring allowances for  
ex-employees ..... 25-50  
see also *shares*
- entertainment**  
expenditure, no deduction for some ..... Division 32  
meal entertainment, calculation of deductible amount ..... **51AEA to 51AEC**
- environment**  
see *capital allowances*
- excess non-concessional contributions tax**  
no deduction ..... 26-75
- exploration and prospecting**  
see *capital allowances*
- family**  
no deduction for maintaining spouse or child ..... 26-40
- farm management deposits**  
see *primary production*
- film licensed investment companies (FLICs)**  
see *shares*
- financial arrangements**  
losses from ..... 230-15(2) and (3)  
see also *borrowing expenses, interest, leases and securities*

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

Section 12-5

---

<b>foreign exchange</b>	
losses .....	775-30
<b>foreign financial entities' Australian permanent establishments</b>	
generally.....	<b>Part IIIB</b>
thin capitalisation.....	Subdivision 820-FB
transfer of losses .....	Subdivisions 170-A and 170-B
<b>forestry managed investment schemes</b>	
payments under scheme .....	394-10(1)
<b>franchise fees windfall tax</b>	
.....	26-15
<b>freight</b>	
freight for shipped goods .....	<b>135A</b>
<b>fringe benefits</b>	
contributions for private component, no deduction for ....	<b>51AJ</b>
employee's car expenses where car provided by employer can be used for private purposes, no deduction for .....	<b>51AF</b>
employee's car parking expenses, no deduction for .....	<b>51AGA</b>
expense payment fringe benefits, reduced deduction .....	<b>51AH</b>
<b>general insurance companies and companies that self insure</b>	
claims paid .....	321-25 and 321-95
increase in value of outstanding claims liability .....	321-15 and 321-85
increase in value of unearned premium reserve .....	321-55
<b>gifts</b>	
general .....	Division 30
limit on deduction .....	26-55
see also <i>tax avoidance schemes</i>	
<b>horticultural plants</b>	
see <i>capital allowances</i>	

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

<b>higher education assistance</b>	26-20
<b>hybrid mismatch rules</b>	
disallowing of deductions .....	Division 832
<b>illegal activities</b>	26-54
<b>income equalisation deposits</b>	
<i>see primary production</i>	
<b>industrial property</b>	
<i>see intellectual property and R&amp;D</i>	
<b>infrastructure</b>	
<i>see tax losses</i>	
<b>insurance with non-residents</b>	
generally .....	<b>141 to 148</b>
insurance premiums, no deduction unless arrangement to pay tax .....	<b>145</b>
reinsurance, no deduction for resident carrying on insurance business in Australia for reinsurance premiums paid to a non-resident .....	<b>148</b>
<b>intellectual property</b>	
<i>see capital allowances</i>	
<b>interest</b>	
convertible notes, interest on, generally .....	<b>82L to 82T</b>
foreign residents, debt creation involving, generally .....	<b>159GZY to 159GZZF</b>
foreign residents, delayed deduction for interest paid to until withholding tax payable has been paid .....	26-25
life assurance premiums, interest etc. on loans to finance, no deduction for .....	26-85
superannuation contributions, interest etc. on loans to finance, no deduction for .....	26-80
underpayment or late payment of tax, interest for .....	25-5
<b>international agreements</b>	
<i>see transfer pricing</i>	
<b>international profit shifting</b>	
<i>see transfer pricing</i>	

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

Section 12-5

---

<b>investment company</b>	
<i>see shares</i>	
<b>IRUs</b>	
<i>see capital allowances</i>	
<b>land</b>	
land degradation, <i>see primary production</i>	
vacant land, limit on deduction .....	26-102
<b>lease document expenses</b>	
.....	25-20
<b>lease, authority, licence, permit or quota</b>	
expenditure to terminate.....	25-110
<b>leases</b>	
finance leases and arrangements, use of property if end-user an exempt public body or use outside Australia to produce exempt income .....	<b>159GE to 159GO</b>
leases of assets being put to tax preferred use .....	Division 250
leveraged arrangements, property used:	
• other than to produce assessable income; or	
• by a non-resident outside Australia; or	
• by a previous owner	
.....	<b>51AD</b>
payment for failure to comply with lease obligation to repair premises .....	25-15
<b>leases of luxury cars</b>	
accrual amounts .....	242-35
adjustment amounts (lessee)	242-70
adjustment amounts (lessor)	242-65
lease payments not deductible.....	242-55
payments to acquire car not deductible.....	242-85
<b>leave payments</b>	
accrued leave transfer payments .....	26-10
no deduction for leave payments until paid .....	26-10

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---



<b>leisure facilities</b>	
no deduction for .....	26-50
<b>life insurance companies</b> .....	Subdivision 320-C
<b>limited recourse debt</b>	
later payments .....	243-45
later payments (replacement debt) .....	243-50
<b>loans</b>	
see <i>borrowing expenses, interest and securities</i>	
<b>losses</b>	
foreign exchange .....	775-30
profit-making undertaking or scheme .....	25-40
property sale .....	25-40
traditional securities, loss on disposal or redemption of .....	<b>70B</b>
see also <i>tax losses</i>	
<b>managed investment trusts</b>	
losses from carried interests .....	275-200(4)
<b>management and investment company shares</b>	
see <i>shares</i>	
<b>membership of associations</b>	
see <i>subscriptions to associations</i>	
<b>mining</b>	
Laminaria and Corallina decommissioning levy .....	26-96
see also <i>capital allowances</i>	
<b>misappropriation</b>	
by employee or agent .....	25-47
<b>mortgage</b>	
expenses of discharging a mortgage .....	25-30
<b>motor vehicles</b>	
see <i>car expenses and leases</i>	
<b>National Disability Insurance Scheme</b>	
National Disability Insurance Scheme expenditure .....	26-97

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**Chapter 1** Introduction and core provisions  
**Part 1-4** Checklists of what is covered by concepts used in the core provisions  
**Division 12** Particular kinds of deductions

Section 12-5

---

<b>non-cash transactions</b>	
non-cash business benefits .....	<b>51AK</b>
non-cash consideration, money value deemed to have been paid or given .....	<b>21</b>
<b>non-commercial business activities</b>	
deferral of non-commercial losses .....	Division 35
<b>non-resident trust estates</b>	
generally .....	<b>102AAA to 102AAZG</b>
modified application of depreciation provisions .....	<b>102AAY</b>
modified application of trading stock provisions .....	<b>102AAZ</b>
no deductions allowable under Division 36 .....	<b>102AAZC</b>
<b>notional sales and loans</b>	
adjustment amounts (lessee) .....	240-110(1)
adjustment amounts (lessor) .....	240-105(3)
arrangement payments, no deduction for .....	240-55
notional interest.....	240-50, 250-155
deemed loan treatment for financial benefits provided for tax preferred use of asset .....	Subdivision 250-C
payments to acquire property, no deduction for .....	240-85
<b>offshore banking units</b>	
generally .....	<b>121B to 121EL</b>
<b>overseas debtors repayment levy</b>	
limit on deduction .....	<b>82A</b>
payment made to reduce a liability to overseas debtors repayment levy under the <i>Student Loans (Overseas Debtors Repayment Levy) Act 2015</i> , no deduction unless provided as fringe benefit.....	26-20
<b>partnerships</b>	
foreign hybrid loss exposure adjustment.....	830-50
losses, partner's share of partnership loss .....	<b>90, 92</b>
<b>patents</b>	
expenditure relating to grant of patents, etc. ....	Subdivisions 40-B and 40-I

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

<b>penalties</b>	
no deduction for penalties .....	26-5
<b>personal services income</b>	
alienated personal services income .....	Subdivision 86-B
general .....	Division 85
<b>political contributions and gifts</b>	
denial of certain deductions .....	26-22
deductions for individuals .....	Subdivision 30-DA
<b>pooled development funds (PDFs)</b>	
.....	<b>124ZM to 124ZZD</b>
<b>prepaid expenditure</b>	
see <i>advance expenditure</i>	
<b>primary production</b>	
farm management deposits .....	Division 393
see also <i>capital allowances</i> and <i>timber</i>	
<b>property</b>	
arrangements relating to assets being put to tax	
preferred use .....	Division 250
arrangements relating to use of property if end-user an	
exempt public body or use outside Australia to	
produce exempt income .....	<b>159GE to 159GO</b>
leveraged arrangements, property used:	
• other than to produce assessable income; or	
• by a non-resident outside Australia; or	
• by a previous owner	
.....	<b>51AD</b>
sale of property, profit or loss .....	<b>82(2)</b>
see also <i>capital allowances</i> and <i>losses</i>	
<b>public trading trusts</b>	
generally .....	<b>102M to 102T</b>
<b>qualifying securities</b>	
see <i>securities</i>	

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**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 12** Particular kinds of deductions

Section 12-5

---

<b>R&amp;D</b>	Division 355
<b>rates and land taxes</b>	
premises used to produce mutual receipts.....	25-75
<b>rebatable benefits</b>	
no deduction for .....	26-19
<b>registered emissions units</b>	
expenditure incurred in becoming the holder of .....	420-15
expenditure incurred in ceasing to hold .....	420-42
excess of opening over closing value of.....	420-45
<b>reimbursements</b>	
expense payment fringe benefits, reduced deduction .....	<b>51AH</b>
<b>reinsurance</b>	
see <i>insurance with non-residents</i>	
<b>related entities (including relatives)</b>	
reduction of deduction for payment or liability to .....	26-35, <b>65(1B) and (1C)</b>
<b>repairs</b>	
general .....	25-10
repair covenants, payment for non-compliance with covenant to repair under lease .....	25-15
<b>roads</b>	
see <i>timber</i>	
<b>royalties</b>	
royalty, no deduction for royalty paid to a foreign resident until the withholding tax payable has been paid.....	26-25
<b>scientific research</b>	
see <i>R&amp;D</i>	
<b>securities</b>	
qualifying securities .....	<b>159GP to 159GZ</b>
substituted securities .....	<b>23K</b>
traditional securities, loss on disposal or redemption of .....	<b>70B</b>

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**shares**

buy-backs .....	<b>159GZZZJ to 159GZZZT</b>
cancellation of subsidiary's shares in holding company .....	<b>159GZZZC to 159GZZZI</b>
employee share schemes, deduction for provider of ESS interests .....	Subdivision 83A-D
see also <i>dividends</i> and <i>securities</i>	

**Software**

see *capital allowances*

**spectrum licences**

see *capital allowances*

**State or Territory bodies (STBs)**

body ceasing to be STB, some deductions not allowed ... **24AW to 24AYA**

**student start-up loans**

limit on deduction .....	<b>82A</b>
payment made to reduce a debt to the Commonwealth under Chapter 2AA of the <i>Social Security Act 1991</i> (student start-up loans), no deduction unless provided as fringe benefit .....	26-20
payment made to reduce a debt to the Commonwealth under Part 2 of the <i>Student Assistance Act 1973</i> (ABSTUDY student start-up loans), no deduction unless provided as fringe benefit .....	26-20

**subscriptions to associations**

..... 25-55

**substantiation**

work, travel and car expenses ..... Division 900

**superannuation**

see *insurance* and *annuity business* and *interest*

**superannuation and related business**

generally .....	Part 3-30
asset disposals .....	295-85
death or disability benefits, deduction for future	

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 1** Introduction and core provisions  
**Part 1-4** Checklists of what is covered by concepts used in the core provisions  
**Division 12** Particular kinds of deductions

**Section 12-5**

---

service element .....	295-470
death or disability cover, premiums for .....	295-465
financial assistance levy .....	295-490(1) (table item 3)
<b>superannuation contributions surcharge</b>	
no deduction .....	26-60
<b>superannuation—deductibility of contributions</b>	
generally .....	Division 290
contributions for employees etc. ....	Subdivision 290-B
contributions to non-complying funds .....	sections 290-10 and 290-75
first home super saver scheme re-contribution .....	section 290-168
limit on deduction .....	26-55
no deduction under any other provision of the Act .....	section 290-10
personal contributions .....	Subdivision 290-C
<b>superannuation guarantee charge</b>	
no deduction for .....	26-95
late contribution offset, no deduction for .....	290-95
<b>superannuation supervisory levy</b>	
late lodgment amount, no deduction for.....	26-90
<b>tax agent’s fees</b>	
<i>see tax related expenses</i>	
<b>tax avoidance schemes</b>	
companies, use of tax losses or deductions to avoid tax ..	Division 175
diverted assessable income .....	<b>121F to 121L</b>
dividend stripping .....	<b>177E</b>
gifts .....	<b>78A</b>
imputation, manipulation of.....	207-150(2), 207-150(3)
prepaid outgoings to avoid tax .....	<b>82KJ</b>
recouped expenditure .....	<b>82KH to 82KL</b>
tax avoidance scheme, no deduction allowable where	

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

deduction the result of .....	177A to 177G
trading stock .....	70-20, 52A
<b>tax exempt entities</b>	
treatment of losses and outgoings on becoming taxable .....	Schedule 2D
<b>tax losses</b>	
bad debts, companies .....	165-120
change of ownership or control of a company	
generally .....	Division 165
for earlier income years .....	Subdivision 165-A
for income year of the change .....	Subdivision 165-B
designated infrastructure project entities .....	Division 415
earlier income years .....	Division 36
life insurance companies .....	Subdivision 320-D
pooled development funds .....	Subdivision 195-A
transfer between companies in same wholly-owned group .....	Subdivision 170-A
<b>tax preferred asset financing</b>	
generally.....	Division 250
denial of capital allowance deductions in relation to asset being put to tax preferred use .....	250-145
reduction in capital allowance deductions in relation to asset being put to tax preferred use .....	250-150
<b>tax related expenses</b>	
.....	25-5
<b>telecommunications site access rights</b>	
<i>see capital allowances</i>	
<b>telephone lines</b>	
<i>see primary production</i>	
<b>theft</b>	
by employee or agent .....	25-45
<b>thin capitalisation</b>	
disallowing of deductions .....	Division 820

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 1** Introduction and core provisions  
**Part 1-4** Checklists of what is covered by concepts used in the core provisions  
**Division 12** Particular kinds of deductions

Section 12-5

---

**timber**

- death of owner of land carrying trees, deduction of the part of land cost attributable to trees ..... 70-120
- disposal of land carrying trees, deduction of the part of land cost attributable to trees ..... 70-120
- felling trees, deduction of cost of land attributable to trees felled or of cost of right to fell trees..... 70-120
- see also *capital allowances*

**trade support loan**

- limit on deduction ..... **82A**
- payment made to reduce a debt to the Commonwealth under the *Trade Support Loans Act 2014*, no deduction unless provided as fringe benefit ..... 26-20

**trading ships**

see *capital allowances*

**trading stock**

- Commissioner may determine whether consideration paid for chose in action is reasonable ..... **52A**
- excess of opening stock over closing value ..... 70-35(3)
- expenditure deemed not to be of a capital nature ..... 70-25
- prepayments, when stock becomes trading stock on hand ..... 70-15
- see also *tax avoidance schemes* and *timber*

**traditional securities**

see *securities*

**training guarantee**

- training guarantee charge, no deduction for ..... 51(7)

**transfer pricing**

- arm's length principle for cross-border conditions between entities ..... Subdivision 815-B
- arm's length principle for permanent establishments..... Subdivision 815-C

**transport expenses**

- incurred in travel between workplaces ..... 25-100

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---



**travel expenses**

accompanying relatives, no deduction for some travel  
expenses ..... 26-30

travel related to the use of residential premises as  
residential accommodation ..... 26-31

see also *substantiation*

**trees in carbon sink forests**

see *capital allowances*

**trusts**

trust income, deductions considered in calculating ..... **95 to 102**

see also *foreign residents, non-resident trust estates*  
and *public trading trusts*

**uniforms**

non-compulsory uniforms ..... Division 34

**uranium mining**

see *mining*

**VET student loans**

limit on deduction ..... **82A**

payment made to reduce a debt to the Commonwealth  
under Part 3A of the *VET Student Loans Act 2016*  
(VETSL debts), no deduction unless provided as  
fringe benefit ..... 26-20

**water facilities**

improvements..... 26-100

see also *capital allowances*

**work expenses**

see *substantiation*

**work in progress**

payment of a work in progress amount ..... 25-95

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 13** Tax offsets

Section 13-1A

---

**Division 13—Tax offsets**

**13-1A Effect of this Division**

This Division is a \*Guide.

**13-1 List of tax offsets**

The provisions set out in the list allow you a tax offset.

Provisions of the *Income Tax Assessment Act 1997* are identified in normal text. The other provisions, **in bold**, are provisions of the *Income Tax Assessment Act 1936*.

**Aboriginal study assistance**

*see social security and other benefit payments*

**annual leave**

*see leave payments*

**annuity**

*see superannuation*

**approved deposit funds (ADFs)**

*see dividends*

**attribution managed investment trusts**

non-resident beneficiary ..... 276-110

**averaging**

*see primary production*

**bonuses**

*see life assurance*

**child**

increased tax payable under Part III Division 6AA,

unreasonable ..... **102AH**

trust income ..... **100(2)**

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

<b>corporate unit trusts</b>	
<i>see dividends</i>	
<b>Cyclone Larry or Cyclone Monica income support payment</b>	
<i>see social security and other benefit payments</i>	
<b>defence force</b>	
members serving overseas .....	<b>79B</b>
<b>dependants</b>	
invalid relative, invalid spouse or carer in receipt of carer benefit.....	Subdivision 61-A
<b>dividends</b>	
general.....	207-20(2), 207-45, 207-110(2)(c), 210-170(1)
<b>early stage venture capital limited partnerships</b>	
contributions to ESVCLPs.....	Subdivision 61-P
<b>employment termination</b>	
employment termination payments .....	82-10 82-70
<i>see leave payments, superannuation and sections 82-10A and 82-10C of the <i>Income Tax (Transitional Provisions) Act 1997</i></i>	
<b>Equine Workers Hardship Wage Supplement Payment</b>	
<i>see social security and other benefit payments</i>	
<b>exploration for minerals</b>	
junior minerals exploration incentive .....	Subdivision 418-B
<b>film</b>	
.....	Division 376
<b>foreign income tax</b>	
foreign income tax paid, tax offset for .....	Division 770
<b>franking deficit tax</b>	
liabilities to pay.....	205-70

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 13** Tax offsets

**Section 13-1**

---

**franked dividends**

see *dividends*

**hardship**

see *child*

**housing**

National Rental Affordability. .... Division 380

**imputation**

see *dividends* and *franking deficit tax*

**innovation companies**

certain shares issued to early stage investors ..... Subdivision 360-A

**inter-corporate dividends**

see *dividends*

**interest**

tax paid on by company ..... **127**

**interim income support payment**

see *social security* and *other benefit payments*

**invalid relative**

see *dependants*

**leave payments**

unused annual leave payment ..... 83-15

unused long service leave payment ..... 83-85

see *employment termination*

**legal disability**

see *trusts*

**life assurance**

bonus, receipt of ..... **160AAB**

**life insurance company**

subsidiary joining consolidated group ..... 713-545(5)

**long service leave**

see *leave payments*

**losses**

loss carry back ..... Division 160

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

**low income earner**

aged or pensioner beneficiary, trustee liable to be  
assessed for beneficiary's share of net income of trust estate ..... **160AAAB**

aged person or pensioner..... **160AAAA**

general..... Subdivision 61-D

**lump sum income arrears**

receipt of ..... **159ZRA, 159ZRB,**  
Subdivision 61-L

**non-resident beneficiary**

see *trusts*

**non-resident trust estate**

see *trusts*

**overseas defence force service**

see *defence force*

**partnerships**

see *dividends, housing and small business entities*

**pension**

see *social security and other benefit payments*

**pooled superannuation trusts (PSTs)**

see *dividends*

**primary production**

averaging of income, trustees ..... **156**

averaging of tax liability, individuals ..... 392-35(2)

farm household allowance see *social security and other benefit payments*

interim income support payments see *social security and other benefit payments*

**private health insurance**

..... Subdivision 61-G

**public trading trust**

see *dividends*

**public unit trust**

see *dividends*

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 1** Introduction and core provisions

**Part 1-4** Checklists of what is covered by concepts used in the core provisions

**Division 13** Tax offsets

Section 13-1

---

<b>R&amp;D</b>	Division 355
<b>residents of isolated areas</b>	
<i>see zone</i>	
<b>small business</b>	
small business income.....	Subdivision 328-F
<b>social security and other benefit payments</b>	
Aboriginal study assistance scheme .....	<b>160AAA(3)</b>
children, assistance for isolated .....	<b>160AAA(3)</b>
Cyclone Larry or Cyclone Monica income support payment .....	<b>160AAA(3)</b>
Disaster income support allowance for special category visa (subclass 444) holders.....	<b>160AAA(3)</b>
Equine Workers Hardship Wage Supplement Payment ...	<b>160AAA(3)</b>
farm household allowance under the <i>Farm Household     Support Act 2014 see unemployment and other     benefit payments under the Social Security Act     1991</i>	
interim income support payment.....	<b>160AAA(3)</b>
pension, social security pension and veteran's pension ...	<b>160AAAA</b>
textile, clothing and footwear allowance.....	<b>160AAA(3)</b>
unemployment and other benefit payments under the <i>Social Security Act 1991</i> .....	<b>160AAA(3)</b>
<b>superannuation</b>	
generally .....	Divisions 301 and 302
associated earnings on non-concessional contributions ...	Subdivision 292-B
spouse contributions .....	Subdivision 290-D
death benefits .....	302-75 302-85 302-145
excess concessional contributions .....	291-15(b)
first home super saver scheme .....	313-25

---

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

---

Section 13-1

---

member benefits .....	301-20 301-25 301-35 301-40 301-95 301-100 301-105 301-115
TFN quoted to superannuation or RSA provider after no-TFN contributions tax paid .....	295-675
<b>termination payments</b>	
<i>see employment termination, leave payments and superannuation</i>	
<b>trustee</b>	
<i>see dividends, low income earner and trusts</i>	
<b>trusts</b>	
beneficiary in a foreign trust .....	<b>98B</b>
non-resident beneficiary .....	<b>98A(2)(a)</b>
trust income of beneficiary with legal disability .....	<b>100(2)</b>
trust income (modifications for special disability trusts).....	<b>95AB(5)</b>
<i>see also dividends, housing and small business entities</i>	
<b>United Nations forces</b>	
salary, wages and allowances from service as a member of .....	<b>23AB(7)</b>
<b>unemployment benefits</b>	
<i>see social security and other benefit payments</i>	
<b>unit trusts</b>	
<i>see dividends</i>	
<b>winding-up of non-resident trust estates</b>	
<i>see trusts</i>	
<b>withholding payments</b>	
made by companies to Australian seafarers .....	Subdivision 61-N
<b>zone</b>	
residents of isolated areas .....	<b>79A</b>

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-1** Assessable income

**Division 15** Some items of assessable income

Section 15-1

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## **Chapter 2—Liability rules of general application**

### **Part 2-1—Assessable income**

#### **Division 15—Some items of assessable income**

##### **Guide to Division 15**

###### **15-1 What this Division is about**

This Division sets out some items that are included in your assessable income. Remember that the general rules about assessable income in Division 6 apply to these items.

##### **Table of sections**

###### **Operative provisions**

15-2	Allowances and other things provided in respect of employment or services
15-3	Return to work payments
15-5	Accrued leave transfer payments
15-10	Bounties and subsidies
15-15	Profit-making undertaking or plan
15-20	Royalties
15-22	Payments made to members of a copyright collecting society
15-23	Payments of resale royalties by resale royalty collecting society
15-25	Amount received for lease obligation to repair
15-30	Insurance or indemnity for loss of assessable income
15-35	Interest on overpayments and early payments of tax
15-40	Providing mining, quarrying or prospecting information or geothermal exploration information
15-45	Amounts paid under forestry agreements
15-46	Amounts paid under forestry managed investment schemes
15-50	Work in progress amounts

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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15-55	Certain amounts paid under funeral policy
15-60	Certain amounts paid under scholarship plan
15-70	Reimbursed car expenses
15-75	Bonuses
15-80	Franked distributions entitled to a foreign income tax deduction— Additional Tier 1 capital exception

## Operative provisions

### 15-2 Allowances and other things provided in respect of employment or services

- (1) Your assessable income includes the value to you of all allowances, gratuities, compensation, benefits, bonuses and premiums \*provided to you in respect of, or for or in relation directly or indirectly to, any employment of or services rendered by you (including any service as a member of the Defence Force).
- (2) This is so whether the things were \*provided in money or in any other form.
- (3) However, the value of the following are not included in your assessable income under this section:
  - (a) a \*superannuation lump sum or an \*employment termination payment;
  - (b) an \*unused annual leave payment or an \*unused long service leave payment;
  - (c) a \*dividend or \*non-share dividend;
  - (d) an amount that is assessable as \*ordinary income under section 6-5;
  - (e) \*ESS interests to which Subdivision 83A-B or 83A-C (about employee share schemes) applies.

Note: Section 23L of the *Income Tax Assessment Act 1936* provides that fringe benefits are non-assessable non-exempt income.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 15-3

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**15-3 Return to work payments**

Your assessable income includes an amount you receive under an \*arrangement that an entity enters into for a purpose of inducing you to resume working for, or providing services to, any entity.

**15-5 Accrued leave transfer payments**

Your assessable income includes an \*accrued leave transfer payment that you receive.

To find out if the payment is deductible to the payer, see section 26-10.

**15-10 Bounties and subsidies**

Your assessable income includes a bounty or subsidy that:

- (a) you receive in relation to carrying on a \*business; and
- (b) is not assessable as \*ordinary income under section 6-5.

**15-15 Profit-making undertaking or plan**

- (1) Your assessable income includes profit arising from the carrying on or carrying out of a profit-making undertaking or plan.
- (2) This section does not apply to a profit that:
  - (a) is assessable as \*ordinary income under section 6-5; or
  - (b) arises in respect of the sale of property acquired on or after 20 September 1985.

Note: If you sell property you acquired *before* 20 September 1985 for profit-making by sale, your assessable income includes the profit: see section 25A of the *Income Tax Assessment Act 1936*.

**15-20 Royalties**

- (1) Your assessable income includes an amount that you receive as or by way of royalty within the ordinary meaning of “royalty”

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

Section 15-22

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(disregarding the definition of *royalty* in subsection 995-1(1)) if the amount is not assessable as \*ordinary income under section 6-5.

- (2) Subsection (1) does not apply to an amount of a payment to which section 15-22 or 15-23 applies.

**15-22 Payments made to members of a copyright collecting society**

- (1) This section, instead of Division 6 of Part III of the *Income Tax Assessment Act 1936*, applies to a payment that a \*copyright collecting society, to which section 51-43 applies, makes to you as a \*member of the society.
- (2) Your assessable income includes the amount of the payment, except to the extent that the payment represents an amount on which the directors of the society are or have been assessed, and are liable to pay \*tax, under section 98, 99 or 99A of the *Income Tax Assessment Act 1936*.

Note: Section 410-5 of this Act requires a copyright collecting society to give you a notice at the time of payment.

**15-23 Payments of resale royalties by resale royalty collecting society**

- (1) This section, instead of Division 6 of Part III of the *Income Tax Assessment Act 1936*, applies to a payment that the \*resale royalty collecting society makes to you under section 26 of the *Resale Royalty Right for Visual Artists Act 2009*.
- (2) Your assessable income includes the amount of the payment, except to the extent that the payment represents an amount on which the directors of the society are or have been assessed, and are liable to pay \*tax, under section 98, 99 or 99A of the *Income Tax Assessment Act 1936*.

Note: Section 410-50 of this Act requires the resale royalty collecting society to give you a notice at the time of payment.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 15-25

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**15-25 Amount received for lease obligation to repair**

Your assessable income includes an amount you receive from an entity if:

- (a) you receive it as a lessor or former lessor of premises; and
- (b) the entity pays you the amount for failing to comply with a lease obligation to make repairs to the premises; and
- (c) the entity uses or has used the premises for the \*purpose of producing assessable income; and
- (d) the amount is not assessable as \*ordinary income under section 6-5.

Note: The entity can deduct the amount: see section 25-15.

**15-30 Insurance or indemnity for loss of assessable income**

Your assessable income includes an amount you receive by way of insurance or indemnity for the loss of an amount (the **lost amount**) if:

- (a) the lost amount would have been included in your assessable income; and
- (b) the amount you receive is not assessable as \*ordinary income under section 6-5.

**15-35 Interest on overpayments and early payments of tax**

Your assessable income includes interest payable to you under the *Taxation (Interest on Overpayments and Early Payments) Act 1983*. The interest becomes assessable when it is paid to you or applied to discharge a liability you have to the Commonwealth.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**15-40 Providing mining, quarrying or prospecting information or geothermal exploration information**

- (1) Your assessable income includes an amount you receive for providing \*mining, quarrying or prospecting information to another entity if:
  - (a) you continue to \*hold the information; and
  - (b) the amount you receive is not assessable as \*ordinary income under section 6-5.
  
- (2) Your assessable income includes an amount you receive for providing \*geothermal exploration information you have to another entity if:
  - (a) you continue to have the information; and
  - (b) the information is, and continues to be, relevant to:
    - (i) \*geothermal energy extraction that you carry on or propose to carry on; or
    - (ii) a \*business that you carry on that includes \*exploration or prospecting for \*geothermal energy resources from which energy can be extracted by geothermal energy extraction; and
  - (c) the amount you receive is not assessable as \*ordinary income under section 6-5.

It does not matter whether the information is generally available or not.
  
- (3) **Geothermal exploration information** is geological, geophysical or technical information that:
  - (a) relates to the presence, absence or extent of \*geothermal energy resources in an area; or
  - (b) is likely to help in determining the presence, absence or extent of such resources in an area.
  
- (4) **Geothermal energy extraction** means operations that are for:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 15-45

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- (a) the extraction of energy from \*geothermal energy resources;  
and
- (b) the \*purpose of producing assessable income.

**15-45 Amounts paid under forestry agreements**

- (1) Your assessable income includes an amount you receive under an agreement for the planting and tending of trees for felling if:
  - (a) you are the manager of the agreement as mentioned in section 82KZMG of the *Income Tax Assessment Act 1936*;  
and
  - (b) the amount satisfies, for the entity that paid it, the requirements of that section.

The amount is included for the income year in which the entity can claim a deduction for the amount.

- (2) No part of an amount included under subsection (1) is included in your assessable income for a later income year.

**15-46 Amounts paid under forestry managed investment schemes**

- (1) Your assessable income includes an amount you receive under a \*forestry managed investment scheme if:
  - (a) you are the \*forestry manager of the scheme, or an \*associate of the forestry manager; and
  - (b) the entity that paid the amount can deduct or has deducted the amount under section 394-10 in relation to the scheme (disregarding subsection 394-10(5)).

The amount is included for the income year for which the entity that paid the amount can or has claimed a deduction for it (disregarding subsection 394-10(5)).

- (2) No part of an amount included under subsection (1) is included in your assessable income for a later income year.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

### **15-50 Work in progress amounts**

Your assessable income includes a \*work in progress amount that you receive.

Note: To find out whether the amount is deductible to the payer, see section 25-95.

### **15-55 Certain amounts paid under funeral policy**

- (1) Your assessable income includes the amount of a benefit provided to you by a \*life insurance company under a \*funeral policy issued after 31 December 2002 to pay for the funeral of the insured person, reduced by:
  - (a) the amount of the premium or premiums of the policy that is reasonably related to the benefit; and
  - (b) the amount of the fees and charges included in the company's assessable income for any income year under paragraph 320-15(1)(k) that is reasonably related to the benefit.
- (2) This section does not apply if the benefit is included in your assessable income as:
  - (a) \*ordinary income under section 6-5; or
  - (b) \*statutory income under a section of this Act other than this section.

### **15-60 Certain amounts paid under scholarship plan**

- (1) Your assessable income includes the amount of a benefit provided to you, or on your behalf, by a \*life insurance company under a \*scholarship plan covered by subsection (2) or (3), reduced by the amount worked out under subsection (4), if:
  - (a) the benefit is provided on or after 1 January 2003; and
  - (b) you are nominated in the plan as a beneficiary whose education is to be helped by the benefit.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Section 15-70**

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- (2) This subsection covers a \*scholarship plan issued by the \*life insurance company after 31 December 2002.
- (3) This subsection covers a \*scholarship plan if:
  - (a) the plan was issued by the \*life insurance company before 1 January 2003; and
  - (b) no amount received by the company on or after 1 January 2003 and attributable to the plan is \*non-assessable non-exempt income of the company under paragraph 320-37(1)(d).
- (4) The amount of the reduction is the sum of:
  - (a) the amount of the premium or premiums of the plan that is reasonably related to the benefit; and
  - (b) the amount of the fees and charges included in the company's assessable income for any income year under paragraph 320-15(1)(k) that is reasonably related to the benefit.

**15-70 Reimbursed car expenses**

Your assessable income includes a reimbursement mentioned in section 22 of the *Fringe Benefits Tax Assessment Act 1986* (about exempt car expense payment benefits) that, but for that section, would be a \*fringe benefit \*provided to you.

**15-75 Bonuses**

Your assessable income includes any amount you receive as or by way of bonus on a \*life insurance policy, other than a reversionary bonus.

Note: Reversionary bonuses are covered by section 6-5 of this Act if they are ordinary income and, if not, by section 26AH of the *Income Tax Assessment Act 1936*.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**15-80 Franked distributions entitled to a foreign income tax deduction—Additional Tier 1 capital exception**

- (1) If section 207-158 would, apart from subsection 207-158(2), apply to a \*franked distribution, then an amount equal to the \*foreign income tax deduction referred to in subsection (1) of that section is included in the assessable income of the entity that made the distribution for the income year mentioned in subsection (2) of this section.
- (2) The income year is:
  - (a) if the \*foreign tax period in which the \*foreign income tax deduction arises falls wholly within an income year of the entity—that income year; or
  - (b) if the foreign tax period in which the foreign income tax deduction arises straddles 2 income years of the entity—the later of those income years.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## **Division 17—Effect of GST etc. on assessable income**

### **Guide to Division 17**

#### **17-1 What this Division is about**

This Division sets out the effect of the GST in working out assessable income. Generally speaking, GST, input tax credits and adjustments under the GST Act are disregarded.

#### **Table of sections**

17-5	GST and increasing adjustments
17-10	Certain decreasing adjustments
17-15	Elements in calculation of amounts
17-20	GST groups and GST joint ventures
17-30	Special credits because of indirect tax transition
17-35	Certain sections not to apply to certain assets or expenditure

#### **17-5 GST and increasing adjustments**

An amount is not assessable income, and is not \*exempt income, to the extent that it includes an amount relating to:

- (a) \*GST payable on a \*taxable supply; or
- (b) an \*increasing adjustment that relates to a \*supply; or
- (c) an \*increasing adjustment that:
  - (i) relates to an \*acquisition; and
  - (ii) arises in circumstances that also give rise to a \*recoupment that is included in assessable income.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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### 17-10 Certain decreasing adjustments

- (1) An amount of a \*decreasing adjustment that arises under Division 129 or 132 of the \*GST Act is **assessable income**, unless the entity that has the adjustment is an \*exempt entity.
- (2) However, the amount is not **assessable income** to the extent that, because it becomes a component of a \*net input tax credit, a reduction is made under section 103-30 (reduction of cost base etc. by net input tax credits).

### 17-15 Elements in calculation of amounts

In calculating an amount that may be included in assessable income:

- (a) an element in the calculation that is an amount received or receivable is treated as not including an amount equal to any \*GST payable on a \*taxable supply related to the amount received or receivable, or any \*increasing adjustment related to that amount; and
- (b) an element in the calculation that is an amount paid or payable is treated as not including an amount equal to any \*input tax credit for an \*acquisition related to the amount paid or payable, or any \*decreasing adjustment related to that amount.

### 17-20 GST groups and GST joint ventures

- (1) A \*member of a \*GST group is to be treated, for the purposes of this Division, as if Subdivision 48-B of the \*GST Act (other than paragraph 48-40(2)(a) and subsection 48-40(3)) did not apply to that member.
- (2) A \*participant in a \*GST joint venture is to be treated, for the purposes of this Division, as if Subdivision 51-B of the \*GST Act (other than subsections 51-30(2) and (3)) did not apply to that participant.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 17-30

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**17-30 Special credits because of indirect tax transition**

A special credit under section 19A of the *A New Tax System (Goods and Services Tax Transition) Act 1999* is assessable income at the time it is attributed to a \*tax period (for a credit under section 19A).

**17-35 Certain sections not to apply to certain assets or expenditure**

Sections 17-5, 17-10 and 17-15 do not apply to assets, or to expenditure, for which you can deduct amounts under Division 40 or Division 328.

Note: See instead Subdivision 27-B.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## **Division 20—Amounts included to reverse the effect of past deductions**

### **Table of Subdivisions**

	Guide to Division 20
20-A	Insurance, indemnity or other recoupment for deductible expenses
20-B	Disposal of a car for which lease payments have been deducted

### **Guide to Division 20**

#### **20-1 What this Division is about**

This Division includes amounts in your assessable income to reverse the effect of certain kinds of deductions.

#### **Table of sections**

20-5	Other provisions that reverse the effect of deductions
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#### **20-5 Other provisions that reverse the effect of deductions**

The table lists other provisions that reverse the effect of certain kinds of deductions.

Provisions of the *Income Tax Assessment Act 1997* are identified in normal text. The other provisions, **in bold**, are provisions of the *Income Tax Assessment Act 1936*.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-1** Assessable income

**Division 20** Amounts included to reverse the effect of past deductions

**Section 20-5**

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<b>Provisions that adjust your tax position in respect of deductions</b>		
<b>Item</b>	<b>In this situation:</b>	<b>See:</b>
1	A balancing adjustment for a depreciating asset is included in your assessable income.	40-285(1) and 40-445(2)
2	An amount you receive by way of insurance or indemnity for a loss of trading stock is included in your assessable income.	70-115
2A	Limited recourse debt that was used to finance expenditure deductible under a capital allowance (or on property for which you have deducted or can deduct amounts under a capital allowance) terminates: an amount is included in your assessable income	243-40
3	Because of: <ul style="list-style-type: none"><li>• petroleum resource rent tax; or</li><li>• an instalment of petroleum resource rent tax;</li></ul> that you have deducted or can deduct, an amount is refunded, credited, paid or applied: the amount is included in your assessable income.	40-750(3)
4	You receive a fringe benefit by way of reimbursement or payment of a loss or outgoing you incurred: your deduction for the loss or outgoing is reduced.	<b>51AH</b>
7	You receive an amount as recoupment for your local governing body election expenses: an amount is included in your assessable income.	<b>74A(4)</b>

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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<b>Provisions that adjust your tax position in respect of deductions</b>		
<b>Item</b>	<b>In this situation:</b>	<b>See:</b>
8	You receive superannuation benefits as a result of someone's deductible contributions: the benefits are included in your assessable income.	290-100
9	An R&D entity receives or becomes entitled to receive an amount: <ul style="list-style-type: none"> <li>• for, or relating to, the results of R&amp;D activities; or</li> <li>• attributable to it incurring expenditure on R&amp;D activities or to its use of a depreciating asset for the purpose of conducting R&amp;D activities;</li> </ul> and the entity is entitled under Division 355 to a tax offset relating to those R&D activities. The amount is included in its assessable income.	355-410
10	An R&D entity: <ul style="list-style-type: none"> <li>• receives, or becomes entitled to receive, a recoupment from government relating to R&amp;D activities; or</li> <li>• can deduct, under Division 355, expenditure on goods, materials or energy used during R&amp;D activities to produce marketable products or products applied to the R&amp;D entity's own use;</li> </ul> and the entity is entitled under Division 355 to a tax offset relating to those R&D activities. An amount is included in its assessable income.	Subdivision 355-G

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

Section 20-10

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**Subdivision 20-A—Insurance, indemnity or other recoupment  
for deductible expenses**

**Guide to Subdivision 20-A**

**20-10 What this Subdivision is about**

*Recoupment of expenses you incurred and can deduct*

Your assessable income may include an amount that you receive by way of insurance, indemnity or other recoupment if:

- it is for a deductible expense; and
- it is *not* otherwise assessable income.

*Recoupment of expenses you did not incur but can deduct*

Your assessable income may include an amount that another entity receives by way of insurance, indemnity or other recoupment if:

- it is for an expense that you can deduct; and
- it is *not* otherwise your assessable income.

**Table of sections**

20-15 How to use this Subdivision

**What is an *assessable recoupment*?**

20-20 Assessable recoupments

20-25 What is *recoupment*?

20-30 Tables of deductions for which recoupments are assessable

**How much is included in your assessable income?**

20-35 If the expense is deductible in a single income year

20-40 If the expense is deductible over 2 or more income years

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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- 20-45 Effect of balancing charge
- 20-50 If the expense is only partially deductible
- 20-55 Meaning of *previous recoupment law*

**What if you can deduct a loss or outgoing incurred by another entity?**

- 20-60 If you are the only entity that can deduct an amount for the loss or outgoing
- 20-65 If 2 or more entities can deduct amounts for the loss or outgoing

**20-15 How to use this Subdivision**

*If you incurred the deductible loss or outgoing*

- (1) First, read sections 20-20 to 20-30 to work out whether you have received an assessable recoupment. If not, you do not need to read the rest of the Subdivision.
- (2) If you *have* received one or more assessable recoupments, sections 20-35 to 20-55 tell you how much is included in your assessable income for an income year.

*If another entity incurred a loss or outgoing you can deduct*

- (3) Sections 20-60 and 20-65 tell you how to apply this Subdivision.

**What is an assessable recoupment?**

**20-20 Assessable recoupments**

*Exclusion*

- (1) An amount is *not* an **assessable recoupment** to the extent that it is \*ordinary income, or it is \*statutory income because of a provision outside this Subdivision.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 20-25

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*Insurance or indemnity*

- (2) An amount you have received as \*recoupment of a loss or outgoing is an **assessable recoupment** if:
- (a) you received the amount by way of insurance or indemnity; and
  - (b) you can deduct an amount for the loss or outgoing for the \*current year, or you have deducted or can deduct an amount for it for an earlier income year, under any provision of this Act.

*Other recoupment*

- (3) An amount you have received as \*recoupment of a loss or outgoing (except by way of insurance or indemnity) is an **assessable recoupment** if:
- (a) you can deduct an amount for the loss or outgoing for the \*current year; or
  - (b) you have deducted or can deduct an amount for the loss or outgoing for an earlier income year; under a provision listed in section 20-30.

**20-25 What is recoupment?**

*General*

- (1) **Recoupment** of a loss or outgoing includes:
- (a) any kind of recoupment, reimbursement, refund, insurance, indemnity or recovery, however described; and
  - (b) a grant in respect of the loss or outgoing.

*Amount paid for you*

- (2) If some other entity pays an amount for you in respect of a loss or outgoing that you incur, you are taken to receive the amount as **recoupment** of the loss or outgoing.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

*Remission of general interest charge or shortfall interest charge*

(2A) If:

- (a) you have incurred expenditure that consists of \*general interest charge or \*shortfall interest charge; and
- (b) the Commissioner remits any of that charge;

then you are taken to receive the remitted amount as **recoupment** of that expenditure.

*Amount for disposing of right to recoupment*

- (3) If you dispose of your right to receive an amount as \*recoupment of a loss or outgoing you are taken to receive as **recoupment** of the loss or outgoing any amount you receive for disposing of that right. (The disposal need not be to another entity.)

*Amount received that is recoupment to an unspecified extent*

- (4) If you receive an amount that is, to an unspecified extent, \*recoupment of a loss or outgoing, the amount is taken to be **recoupment** of the loss or outgoing to whatever extent is reasonable.

*Balancing adjustments not covered*

- (5) If a balancing adjustment is required for property on which you incurred a loss or outgoing, no part of the \*termination value of the property is an amount you receive as **recoupment** of the loss or outgoing.

Note: The termination value is usually the amount you receive because of disposal, loss or destruction of the property.

## **20-30 Tables of deductions for which recoupments are assessable**

- (1) This table shows the deductions under the *Income Tax Assessment Act 1997* for which recoupments are assessable.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-1** Assessable income

**Division 20** Amounts included to reverse the effect of past deductions

**Section 20-30**

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Note: References are to section numbers except where otherwise indicated.

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**Provisions of the Income Tax Assessment Act 1997**

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<b>Item</b>	<b>Provision</b>	<b>Description of expense</b>
1.1	8-1 (so far as it allows you to deduct a bad debt, or part of a debt that is bad)	bad debts
1.2	8-1 (so far as it allows you to deduct rates or taxes)	rates or taxes
1.3	25-5	tax-related expenses
1.4	25-35	bad debts
1.5	25-45	embezzlement or larceny by an employee
1.5A	25-47	misappropriation by an employee or agent
1.6	25-60	election expenses, Commonwealth and State elections
1.6A	25-65	election expenses, local governing body
1.7	25-75	rates and land taxes on premises used to produce mutual receipts
1.8	The former 25-80	upgrading assets to meet GST obligations etc.
1.8A	25-95	work in progress amount
1.8B	item 7 of the table in section 30-15	contributions relating to fund-raising events
1.8C	item 8 of the table in section 30-15	contributions relating to fund-raising auctions
1.9	Division 40	capital allowances
1.10	The former Division 42 (as it applied to *software because of the former Subdivision 46-B)	expenditure on software
1.11	The former Subdivision 46-C	expenditure on software
1.12	The former Subdivision 46-D	expenditure on software, pooled

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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<b>Provisions of the Income Tax Assessment Act 1997</b>		
<b>Item</b>	<b>Provision</b>	<b>Description of expense</b>
1.13	The former Division 42 (as it applied to *IRUs because of Division 44)	expenditure on IRUs
1.14	The former 330-15	exploration or prospecting expenditure
1.15	The former 330-80	allowable capital expenditure relating to mining or quarrying
1.16	The former 330-350	petroleum resource rent tax
1.17	The former 330-370	transport capital expenditure relating to mining or quarrying
1.18	The former 330-435	rehabilitation expenditure relating to mining or quarrying
1.19	The former 330-485	balancing adjustment deduction for expenditure relating to mining or quarrying
1.19A	Division 355	R&D
1.20	The former Subdivisions 380-A and 380-C	capital expenditure incurred in obtaining a spectrum licence
1.21	The former Subdivision 387-A	landcare operations expenditure
1.22	The former Subdivision 387-B	expenditure on facilities to conserve or convey water
1.23	The former Subdivision 387-D	grapevine establishment expenditure
1.24	The former Subdivision 387-C	horticultural plant establishment expenditure
1.25	The former Subdivision 387-E	mains electricity connection expenditure
1.26	The former Subdivision 400-A	expenditure on environmental impact assessment
1.27	The former Subdivision 400-B	expenditure on environmental protection activities

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 2** Liability rules of general application

**Part 2-1** Assessable income

**Division 20** Amounts included to reverse the effect of past deductions

Section 20-30

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**Provisions of the Income Tax Assessment Act 1997**

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<b>Item</b>	<b>Provision</b>	<b>Description of expense</b>
1.27A	420-15	registered emissions unit
1.28	775-30	forex realisation loss

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(2) This table shows the deductions under the *Income Tax Assessment Act 1936* for which recoupments are assessable.

Note: References are to section numbers except where otherwise indicated.

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**Provisions of the Income Tax Assessment Act 1936**

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<b>Item</b>	<b>Provision</b>	<b>Description of expense</b>
2.1	Former <b>51(1)</b> (so far as it allowed you to deduct a bad debt, or part of a debt that is bad)	bad debts
2.2	Former <b>51(1)</b> (so far as it allowed you to deduct rates or taxes)	rates or taxes
2.3	<b>63</b>	bad debts
2.4	Former <b>69</b>	tax-related expenses
2.5	Former <b>70A(3)</b>	mains electricity connection expenditure
2.6	Former <b>71</b>	embezzlement or larceny by an employee
2.7	Former <b>72</b>	rates and land tax
2.7A	Former <b>72A</b>	a payment of petroleum resource rent tax, or an instalment of petroleum resource rent tax, or a credit under paragraph 99(d) of the <i>Petroleum Resource Rent Tax Assessment Act 1987</i> in respect of a payment of such an instalment

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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<b>Provisions of the Income Tax Assessment Act 1936</b>		
<b>Item</b>	<b>Provision</b>	<b>Description of expense</b>
2.8	Former <b>73B, 73BA or 73BH</b>	research and development activity expenditure
2.9	Former <b>74</b>	election expenses, Commonwealth and State elections
2.9A	Former <b>74A</b>	election expenses, local governing body
2.10	Former <b>75AA(1) or (6)</b>	grape vine establishment expenditure
2.11	Former <b>75B(2) or (3A)</b>	water conservation or conveyance expenditure
2.12	Former <b>75D(2)</b>	land degradation prevention expenditure
2.13	Former <b>82AB</b>	development allowance expenditure
2.14	Former <b>82BB</b>	environmental impact study expenditure
2.15	Former <b>82BK</b>	environmental protection expenditure
2.17	Former <b>Division 10 of Part III</b>	mining and quarrying expenditure
2.18	Former <b>Division 10AAA of Part III</b>	expenditure on transport of minerals and quarry materials
2.19	Former <b>Division 10AA of Part III</b>	expenditure on prospecting and mining for petroleum
2.20	Former <b>124BA</b>	expenditure on rehabilitating mining, quarrying and petroleum sites
2.21	Former <b>124ZZF</b>	horticultural plant establishment expenditure (effective life of the plant less than 3 years)
2.22	Former <b>124ZZG</b>	horticultural plant establishment expenditure (effective life of the plant more than 3 years)

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

Section 20-35

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Provisions of the Income Tax Assessment Act 1936		
Item	Provision	Description of expense
2.23	Former 628	drought mitigation property expenditure by a primary producer
2.24	Former 636	drought mitigation property expenditure by a leasing company

## How much is included in your assessable income?

### 20-35 If the expense is deductible in a single income year

- (1) Your assessable income includes an \*assessable recoupment of a loss or outgoing if:
  - (a) you can deduct the whole of the loss or outgoing for the \*current year; or
  - (b) you have deducted or can deduct the whole of the loss or outgoing for an earlier income year.

Note 1: The operation of this section may be affected if a balancing charge has been included in your assessable income because of a deduction for the loss or outgoing: see section 20-45.

Note 2: Recoupment of a loss or outgoing for which you can deduct amounts over more than one income year is covered by section 20-40.

Note 3: Recoupment of a loss or outgoing that is only partially deductible is covered by section 20-50.

#### *Total assessed not to exceed the loss or outgoing*

- (2) The total of all amounts that subsection (1) includes in your assessable income for one or more income years in respect of a loss or outgoing cannot exceed the amount of the loss or outgoing.

#### *Recoupment received before income year of the deduction*

- (3) If:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.



- (a) you can deduct the whole of a loss or outgoing for the \*current year; and
- (b) before the current year you received an \*assessable recoupment of the loss or outgoing;
- your assessable income for the current year includes so much of the recoupment as subsection (1) would have included if you had instead received the recoupment at the start of the current year.

**20-40 If the expense is deductible over 2 or more income years**

- (1) This section includes an amount in your assessable income if:
- (a) you receive in the \*current year an \*assessable recoupment of a loss or outgoing for which you can deduct amounts over 2 or more income years; or
- (b) you received in an *earlier* income year an \*assessable recoupment of a loss or outgoing of that kind (unless all of the recoupment has already been included in your assessable income for one or more earlier income years by this section or a \*previous recoupment law).

(This section applies even if the recoupment was received before the first of those income years.)

Note: Recoupment of a loss or outgoing that is only partially deductible is covered by section 20-50.

- (2) Work out as follows how much is included in your assessable income for the \*current year because of one or more \*assessable recoupments of the loss or outgoing.

Note: The method statement ensures that assessable recoupments are included:

- only so far as they have not already been included for an earlier income year; and
- only to the extent of your total deductions to date for the loss or outgoing.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 20-40

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*Method statement*

- Step 1. Add up all the \*assessable recoupments of the loss or outgoing that you have received (in the \*current year or earlier). The result is the **total assessable recoupment**.
- Step 2. Add up the amounts (if any) included in your assessable income for earlier income years, in respect of the loss or outgoing, by this section or a \*previous recoupment law. The result is the **recoupment already assessed**. (If no amount was included, the **recoupment already assessed** is nil.)
- Step 3. Subtract the recoupment already assessed from the total assessable recoupment. The result is the **unassessed recoupment**.
- Step 4. Add up each amount that you can deduct for the loss or outgoing for the \*current year, or you have deducted or can deduct for the loss or outgoing for an earlier income year. The result is the **total deductions for the loss or outgoing**.
- Note: The total deductions may be reduced if an amount has been included in your assessable income because of a balancing adjustment: see section 20-45.
- Step 5. Subtract the recoupment already assessed from the total deductions for the loss or outgoing. The result is the **outstanding deductions**.
- Step 6. The unassessed recoupment is included in your assessable income, unless it is greater than the outstanding deductions. In that case, the amount of the outstanding deductions is included instead.

Example: At the start of the 2002-03 income year, a company incurs \$100,000 to start to hold a depreciating asset. The company uses the prime cost method, and the effective life is 10 years. \$10,000 is deductible for the 2002-03 income year and for each of the following 9 income years under section 40-25.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Section 20-45**

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In the 2002-03 income year, the company receives \$20,000 as recoupment. How much is assessable for the 2002-03 income year?

Applying the method statement:

After step 1: the total assessable recoupment is \$20,000.

After step 2: the recoupment already assessed is nil.

After step 3: the unassessed recoupment is:  
total assessable recoupment minus recoupment already assessed,  
i.e. \$20,000 minus 0 = \$20,000.

After step 4: the total deductions for the loss or outgoing are \$10,000.

After step 5: the outstanding deductions are:  
total deductions for the loss or outgoing minus recoupment already assessed, i.e. \$10,000 minus 0 = \$10,000.

After step 6: the unassessed recoupment (step 3) is greater than outstanding deductions (step 5), so the amount of the outstanding deductions is included in assessable income, i.e. \$10,000.

Applying the method statement to the 2003-04 income year: a further \$10,000 is included in the company's assessable income.

### **20-45 Effect of balancing charge**

- (1) This section may affect the operation of section 20-35 or 20-40 (as appropriate) if:
  - (a) a balancing adjustment is required for the \*current year (or for an earlier income year) because you have deducted or can deduct an amount for an income year for the loss or outgoing; and
  - (b) an amount (the **balancing charge**) is included in your assessable income for the \*current year (or for the earlier income year) because of the balancing adjustment.

To find out about balancing adjustments, see Subdivision 40-D.

#### *Effect on section 20-35*

- (2) In applying section 20-35, treat each of the following as reduced by the balancing charge:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-1** Assessable income

**Division 20** Amounts included to reverse the effect of past deductions

**Section 20-45**

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- (a) the amount of the loss or outgoing;
- (b) the total of what you can deduct for the loss or outgoing for the \*current year, or have deducted or can deduct for an earlier income year.

*Effect on section 20-40*

- (3) In applying the method statement in subsection 20-40(2), reduce the **total deductions for the loss or outgoing** by the balancing charge.

Example: Continuing the example in subsection 20-40(2): at the start of the 2005-06 income year, the company:

- receives a further \$10,000 as recoupment; and
- sells the depreciating asset for \$75,000.

As a result of the sale, a balancing adjustment of \$5,000 is included under section 40-285 in the company's assessable income for that income year.

How much of the recoupment amount received in the 2005-06 income year is assessable for that income year?

Applying the method statement in subsection 20-40(2):

After step 1: the total assessable recoupment is \$30,000 (received during 2002-03 and 2005-06).

After step 2: the recoupment already assessed is \$20,000 (for 2002-03 and 2003-04).

After step 3: the unassessed recoupment is:  
total assessable recoupment minus recoupment already assessed,  
i.e. \$30,000 minus \$20,000 = \$10,000.

After step 4: the total deductions for the loss or outgoing are \$30,000 (\$10,000 for each of 2002-03, 2004-04 and 2004-05), reduced by \$5,000 (the amount included in assessable income for the balancing adjustment), i.e. \$25,000.

After step 5: the outstanding deductions are:  
total deductions for the loss or outgoing minus recoupment already assessed, i.e. \$25,000 minus \$20,000 = \$5,000.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 20-50

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After step 6: the unassessed recoupment (step 3) is greater than outstanding deductions (step 5), so the amount of the outstanding deductions is included in assessable income, i.e. \$5,000.

### 20-50 If the expense is only partially deductible

- (1) This section extends the operation of section 20-35 or 20-40 (as appropriate) to a case where the total of what you can deduct under a provision (the *deduction provision*) for a loss or outgoing is limited to a proportion of the loss or outgoing.
- (2) If you receive an \*assessable recoupment of the loss or outgoing, section 20-35 or 20-40 applies as if:
  - (a) you had incurred *only* that proportion of the loss or outgoing, but could deduct the *whole* of that proportion under the deduction provision; and
  - (b) you had received only that proportion of the recoupment.

Example: You incur expenditure of \$500. A provision listed in section 20-30 entitles you to deduct 10% of the expenditure (\$50) over 5 years. This means you can deduct \$10 in each of the 5 years.

You recoup \$300 of the expenditure. This section treats you as receiving only 10% of the recoupment. Therefore, \$30 is dealt with by section 20-40.

### 20-55 Meaning of *previous recoupment law*

- (1) *Previous recoupment law* means a provision of the *Income Tax Assessment Act 1936* listed in this table.

<b>Previous recoupment law</b>		
<b>Item</b>	<b>Provision</b>	<b>What kind of expense the provision relates to:</b>
1	former <b>26(j)</b> (so far as it relates to an amount received for or in respect of a loss or outgoing that is a deduction)	a loss or outgoing that is a deduction

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-1** Assessable income

**Division 20** Amounts included to reverse the effect of past deductions

Section 20-60

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<b>Previous recoupment law</b>		
<b>Item</b>	<b>Provision</b>	<b>What kind of expense the provision relates to:</b>
2	former <b>26(k)</b>	embezzlement or larceny by an employee
3	former <b>63(3)</b>	bad debts
4	former <b>69(8)</b>	tax-related expenses
5	former <b>70A(5)</b>	mains electricity connection expenditure
6	former <b>72(2)</b> (so far as it relates to a refund of an amount you have deducted or can deduct)	rates or taxes
6A	former <b>72A(4)(a) and (aa)</b>	petroleum resource rent tax
7	former <b>74(2)</b>	election expenses, Commonwealth and State elections

- (2) Former section 330-350 of this Act is also a *previous recoupment law*.

**What if you can deduct a loss or outgoing incurred by another entity?**

**20-60 If you are the only entity that can deduct an amount for the loss or outgoing**

This Subdivision applies in a different way if:

- (a) an entity (other than you) incurs a loss or outgoing; and
- (b) you can deduct the whole of the loss or outgoing for an income year, or you can deduct amounts for the loss or outgoing over 2 or more income years; and
- (c) no other entity can deduct an amount for the loss or outgoing; and

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

- (d) the entity that incurred the loss or outgoing receives one or more amounts as \*recoupment of the loss or outgoing.

This Subdivision (except this section and section 20-65) applies as if you had incurred the loss or outgoing and had also received the \*recoupment.

**20-65 If 2 or more entities can deduct amounts for the loss or outgoing**

- (1) Special rules apply if:
- (a) an entity (the *first entity*) incurs a loss or outgoing; and
  - (b) 2 or more entities (the *deducting entities*, which may include the first entity) have deducted or can deduct amounts for the loss or outgoing (whether for the same income year or for different income years); and
  - (c) the first entity receives one or more amounts as \*recoupment of the loss or outgoing.
- (2) This Subdivision (except this section and section 20-60) applies as if the first entity and the deducting entities together constituted a single entity (the *notional entity*) that had:
- (a) incurred the loss or outgoing; and
  - (b) received the amount or amounts as \*recoupment; and
  - (c) included in its assessable income any amount included in the assessable income of any of the deducting entities under a \*previous recoupment law or this Subdivision (except this section).
- (3) If because of subsection (2) the notional entity's assessable income for an income year (the *assessment year*) would include an amount under this Subdivision (the *assessable amount*), the amount reverses in the assessment year the deductions for the loss or outgoing, in accordance with the rules in subsection (5).
- (4) The assessable income of each deducting entity for the assessment year includes the total amounts (if any) by which that entity's

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Section 20-100**

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actual deductions for the loss or outgoing are reversed in that income year.

- (5) Deductions for the loss or outgoing are reversed in the assessment year as follows:
- (a) the amounts by which deductions are reversed total the assessable amount (unless all the deductions have been reversed);
  - (b) a deduction for an income year is not reversed until all deductions for earlier income years have been reversed;
  - (c) a deduction is not reversed in the assessment year to the extent that it has already been reversed in an earlier year;
  - (d) if each of 2 or more entities can deduct an amount for the loss or outgoing for the same income year, those deductions are reversed in the assessment year by amounts proportionate to the amounts of the deductions.

**Subdivision 20-B—Disposal of a car for which lease payments have been deducted**

**Guide to Subdivision 20-B**

**20-100 What this Subdivision is about**

This Subdivision reverses the effect of deductions for lease payments for a car leased to you (or to your associate), but only if you make a profit by disposing of the car after acquiring it from the lessor. The *smallest* of these amounts is included in your assessable income:

- your profit on the disposal;
- the total deductible lease payments for the period of the lease;

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.



- the total amounts you could have deducted for the car's decline in value if, instead of leasing it, you had owned it and used it solely for the purpose of producing assessable income.

### Table of sections

20-105 Map of this Subdivision

#### The usual case

20-110 Disposal of a leased car for profit  
20-115 Working out the profit on the disposal  
20-120 Meaning of *notional depreciation*

#### The associate case

20-125 Disposal of a leased car for profit

#### Successive leases

20-130 Successive leases

#### Previous disposals of the car

20-135 No amount included if earlier disposal for market value  
20-140 Reducing the amount to be included if there has been an earlier disposal

#### Miscellaneous rules

20-145 No amount included if you inherited the car  
20-150 Reducing the amount to be included if another provision requires you to include an amount for the disposal  
20-155 Exception for particular cars taken on hire  
20-157 Exception for small business entities

#### Disposals of interests in a car: special rules apply

20-160 Disposal of an interest in a car

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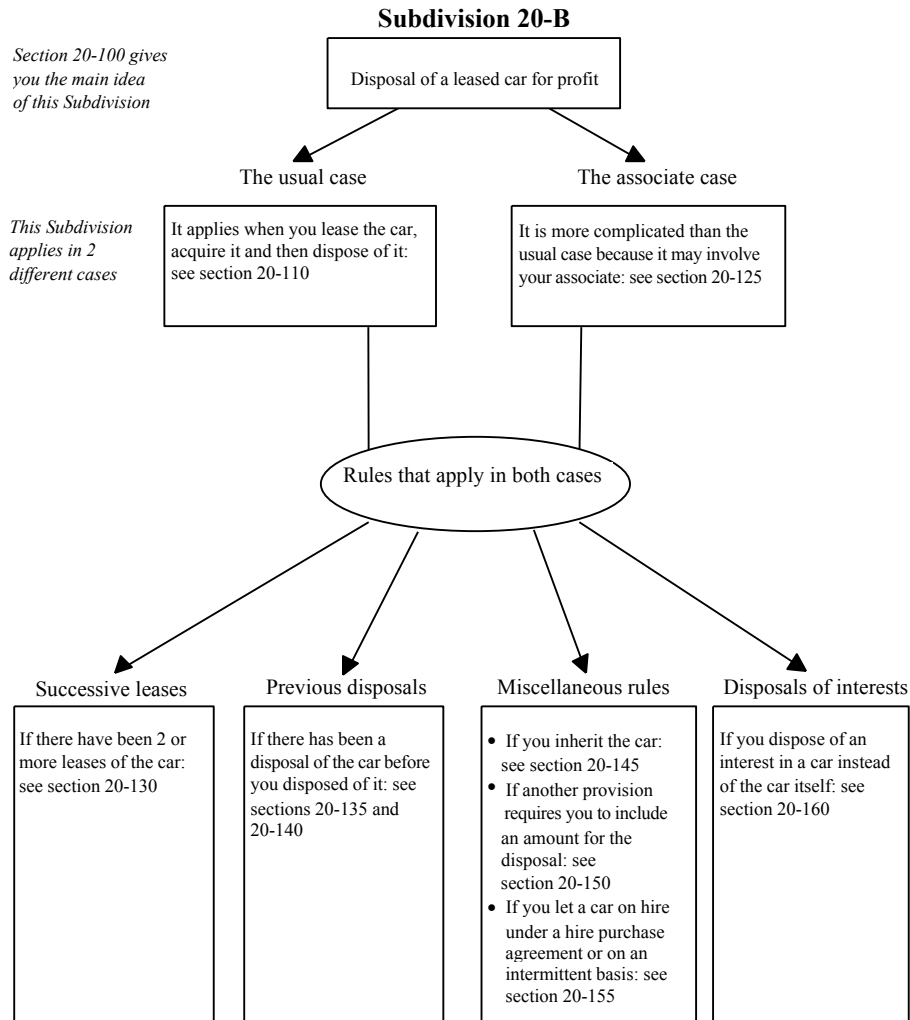
\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 20-105

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**20-105 Map of this Subdivision**



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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## The usual case

### 20-110 Disposal of a leased car for profit

- (1) Your assessable income includes the \*profit you make on disposing of a \*car if:
- (a) the car was designed mainly for carrying passengers; and
  - (b) the car was leased to you and has been leased to no-one else; and
  - (c) you or another entity can deduct for the income year any of the lease payments paid or payable by you, or have deducted or can deduct any of them for an earlier income year, under this Act; and
  - (d) you acquired the car from the lessor.

Note 1: Even if subsection (1) does not apply, an amount may still be included in your assessable income:

- under section 20-125 (which deals with more complicated cases that may involve your associate); or
- if you disposed of an interest in a car (rather than the car itself): see section 20-160.

Note 2: In some cases you do not include an amount in your assessable income:

- if there has been an earlier disposal of the car for market value: see section 20-135; or
- if you inherited the car: see section 20-145; or
- if the car was let on hire in the circumstances set out in section 20-155.

- (2) However, the amount included cannot exceed the smaller of these limits:
- (a) the total lease payments for the lease that you or another entity have deducted or can deduct under this Act for an income year;
  - (b) the amount of \*notional depreciation for the lease period.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-1** Assessable income

**Division 20** Amounts included to reverse the effect of past deductions

**Section 20-115**

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Note 1: If, because of more than one lease of the car, there is more than one way to work out the amount to be included, you only include the largest amount: see section 20-130.

Note 2: In some cases you reduce the amount to be included:

- if there has been an earlier disposal of the car, or of an interest in it: see section 20-140; or
- if another provision requires you to include an amount because of the disposal: see section 20-150.

- (3) You increase those limits if you have previously leased the \*car from the same lessor, or from an \*associate of that lessor.

You increase the first limit by the total lease payments for each previous lease of that kind that you or another entity have deducted or can deduct under this Act for an income year.

You increase the second limit by the amount of \*notional depreciation for the period of each previous lease of that kind.

**20-115 Working out the profit on the disposal**

- (1) The *profit* on the disposal is the amount by which the \*consideration receivable for the disposal exceeds:

- the amount it cost you to acquire the \*car;

plus:

- any capital expenditure you incurred on the car after acquiring it.

- (2) The *consideration receivable* is worked out using this table:

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<b>Consideration receivable for the disposal of the car</b>		
<b>Item</b>	<b>In this situation:</b>	<b>the consideration receivable is:</b>
1	you sell the *car for an amount specific to it	the proceeds of the sale, less the expenses of the sale

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 20-120

**Consideration receivable for the disposal of the car**

Item	In this situation:	the consideration receivable is:
2	you sell the *car with other property without a specific amount being allocated to it	the part of the total proceeds of the sale that is reasonably attributable to the car less the part of the reasonably attributable expenses of the sale
3	you trade the *car in and buy another car	the value of the trade-in, plus any other consideration you receive
4	you sell the *car and another entity buys another car	the amount by which the cost of the other car is reduced by the sale, plus any other consideration you receive
5	you dispose of the *car to an insurer because it is lost or destroyed	the amount or value received or receivable under the insurance policy

(3) However, if the disposal of the \*car is a \*taxable supply, the **consideration receivable** does not include an amount equal to the \*GST payable on the supply.

**20-120 Meaning of *notional depreciation***

This is how to work out the **notional depreciation** for a lease period:

*Method statement*

Step 1. Compare:

- the \*car's \*cost to the lessor for the purposes of Subdivision 40-C (which is about working out the cost of \*depreciating assets);

with:

- the car's \*termination value for the purposes of section 40-300 when the lessor disposed of it.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

Section 20-125

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- Step 2. If the car's cost exceeds the car's termination value, multiply the excess by:
- the number of days in the lease period;
- divided by:
- the number of days the lessor owned the car.
- Step 3. The result is the **notional depreciation** for the lease period.
- Step 4. If the car's cost does *not* exceed the car's termination value, the **notional depreciation** for the lease period is zero.

Note 1: The notional depreciation for the lease period represents:

- the amount you could have deducted for the car's decline in value if, instead of leasing it, you had owned it and used it solely for the purpose of producing assessable income for that period;

adjusted by:

- the balancing adjustment you would have made if you had disposed of the car at the end of that period.

Note 2: The car's cost to the lessor is worked out differently if the lessor acquired it in the 1996-97 income year or an earlier income year: see section 20-105 of the *Income Tax (Transitional Provisions) Act 1997*.

Note 3: The car's termination value is worked out differently if the lessor disposed of it in the 1996-97 income year or an earlier income year: see section 20-110 of the *Income Tax (Transitional Provisions) Act 1997*.

## The associate case

### 20-125 Disposal of a leased car for profit

- (1) Your assessable income includes the \*profit you make on disposing of a \*car if:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 20-125

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- (a) section 20-110 does *not* include an amount in your assessable income because of the disposal; and
- (b) the car was designed mainly for carrying passengers; and
- (c) the car was leased to you or your \*associate; and
- (d) you, your associate or another entity can deduct for the income year any of the lease payments paid or payable by the lessee, or have deducted or can deduct any of them for an earlier income year, under this Act; and
- (e) either:
  - (i) you, your associate, or entities including you or your associate, acquired the car from the lessor; or
  - (ii) another entity acquired the car from the lessor under an \*arrangement that enabled you or your associate to acquire the car.

Note 1: Even if subsection (1) does not apply, an amount may be included in your assessable income if you disposed of an interest in a car (rather than the car itself): see section 20-160.

Note 2: In some cases you do *not* include an amount in your assessable income:

- if there has been an earlier disposal of the car for market value: see section 20-135; or
- if you inherited the car: see section 20-145; or
- if the car was let on hire in the circumstances set out in section 20-155.

- (2) However, the amount included cannot exceed the smallest of these limits:
- (a) the total lease payments for the lease that you, your \*associate or another entity have deducted or can deduct under this Act for an income year;
  - (b) the amount of \*notional depreciation for the lease period;
  - (c) if an entity other than you, or if entities including you, acquired the \*car from the lessor—the amount by which the \*consideration receivable for the disposal of the car by you exceeds the total of:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-1** Assessable income

**Division 20** Amounts included to reverse the effect of past deductions

**Section 20-125**

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- (i) the car's cost to that entity, or those entities; and
- (ii) any capital expenditure that entity, or any of those entities, incurred on the car after that acquisition and before you acquired it.

Note 1: If, because of more than one lease of the car, there is more than one way to work out the amount to be included, you only include the largest amount: see section 20-130.

Note 2: In some cases you reduce the amount to be included:

- if there has been an earlier disposal of the car, or of an interest in it: see section 20-140; or
- if another provision requires you to include an amount because of the disposal: see section 20-150.

Example: Your associate leases a car for 5 years and then acquires it from the lessor for \$4,000. Your associate sells it to you for \$3,000. You sell it for \$10,000.

Your profit is \$10,000 (the consideration receivable) less \$3,000 (the car's cost to you) = \$7,000.

The first 2 limits on the amount to be included in your assessable income are \$9,000 (total deductible lease payments for the lease) and \$8,000 (notional depreciation for the lease period).

Since your associate acquired the car from the lessor, the third limit is \$10,000 (the consideration receivable by you) less \$4,000 (the car's cost to the associate) = \$6,000.

The amount you include in your assessable income *cannot* exceed the smallest of the limits. So, you do not include your profit of \$7,000. Instead, you include \$6,000 (the smallest of the limits).

- (3) You increase the first 2 limits if you, or your associate, have previously leased the \*car from the same lessor, or from an associate of that lessor.

You increase the first limit by the total lease payments for each previous lease of that kind that you, your \*associate or another entity have deducted or can deduct under this Act for an income year.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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You increase the second limit by the amount of \*notional depreciation for the period of each previous lease of that kind.

## **Successive leases**

### **20-130 Successive leases**

If, because of 2 or more leases of the \*car, there are different amounts that could be included in your assessable income because of the disposal, only the largest of those amounts is included.

## **Previous disposals of the car**

### **20-135 No amount included if earlier disposal for market value**

You do *not* include an amount in your assessable income because of the disposal if, after the lessor disposed of the \*car and before you disposed of it, an entity other than you disposed of the car and:

- (a) the \*consideration receivable for that disposal was at least the \*market value of the car at the time of that disposal; or
- (b) because of that disposal, that market value was included, or an amount worked out using that market value was included, in the entity's assessable income under this Act.

### **20-140 Reducing the amount to be included if there has been an earlier disposal**

Each limit on the amount to be included in your assessable income because of your disposal of the \*car is reduced if, after the lease period began and before your disposal, the car, or an interest in it, was disposed of in one of these situations:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-1** Assessable income

**Division 20** Amounts included to reverse the effect of past deductions

Section 20-140

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**Reducing each limit on the amount to be included**

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<b>Item</b>	<b>In this situation:</b>	<b>reduce each limit by:</b>
1	Section 20-110 or 20-125 included an amount in your assessable income in respect of such an earlier disposal by you	that amount
2	Section 20-110 or 20-125 included an amount in another entity's assessable income in respect of such an earlier disposal by the other entity	that amount
3	Section 20-110 or 20-125 would have included an amount in your assessable income in respect of such an earlier disposal by you but for the operation of section 20-145	that amount
4	Section 20-110 or 20-125 would have included an amount in another entity's assessable income in respect of such an earlier disposal by the other entity but for the operation of section 20-145	that amount
5	Section 20-150 reduced the amount to be included in your assessable income in respect of such an earlier disposal by you	the amount of the reduction
6	Section 20-150 reduced the amount to be included in another entity's assessable income in respect of such an earlier disposal by the other entity	the amount of the reduction

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Examples: Your associate leases a car for 5 years and then acquires it. Your associate disposes of it to you and section 20-110 includes \$500 in your associate's assessable income.

You later dispose of the car.

In working out the amount to include in your assessable income for your disposal, you *can* reduce each limit in subsection 20-125(2) by \$500 because the disposal by your associate occurred *after* the lease period began.

Contrast this case:

You lease a car for 5 years and then acquire it. You dispose of it to another entity and section 20-110 includes \$1,000 in your assessable income.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 20-145

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You lease the car from that entity for 2 years and then acquire it. You later dispose of it.

In working out the amount to include in your assessable income in respect of the second lease, you *cannot* reduce each limit in subsection 20-110(2) by \$1,000 because the first disposal did *not* occur after the start of that lease.

Note: If the earlier disposal occurred in the 1996-97 income year or an earlier income year, each limit may be able to be reduced by a further amount: see section 20-115 of the *Income Tax (Transitional Provisions) Act 1997*.

## Miscellaneous rules

### 20-145 No amount included if you inherited the car

You do *not* include an amount in your assessable income because of the disposal if you inherited the \*car.

### 20-150 Reducing the amount to be included if another provision requires you to include an amount for the disposal

The amount to be included in your assessable income because of the disposal is reduced by any amount that another provision of this Act (except sections 40-285 and 40-370) requires you to include in your assessable income because of the disposal.

Note: sections 40-285 and 40-370 are about including an amount after making a balancing adjustment on the disposal of a car.

### 20-155 Exception for particular cars taken on hire

This Subdivision does not apply to these kinds of leases:

- (a) letting a \*car on hire under a \*hire purchase agreement; or
- (b) letting a \*car on hire under an agreement of a kind ordinarily entered into by people who take cars on hire intermittently on an hourly, daily, weekly or monthly basis.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

Section 20-157

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**20-157 Exception for small business entities**

This Subdivision does not apply to you if, at any time in the income year in which you disposed of the \*car, it was allocated to a pool of yours under Division 328.

**Disposals of interests in a car: special rules apply**

**20-160 Disposal of an interest in a car**

- (1) This Subdivision applies to the disposal of an interest in a \*car in almost the same way as it does to the disposal of the car itself. The differences are set out below.
- (2) Your assessable income includes so much of your \*profit on the disposal as is reasonable. The limits in subsections 20-110(2) and 20-125(2) do *not* apply.
- (3) The cost of the interest to you is taken to be a reasonable amount.
- (4) Sections 20-135 and 20-140 do *not* apply to the disposal.
  - Note 1: Section 20-135 says that you do not include an amount if there has been an earlier disposal of the car for market value.
  - Note 2: Section 20-140 allows you to reduce the amount to be included if there has been an earlier disposal of the car.
- (5) Section 20-145 applies to the disposal if you inherited either the interest or the \*car itself.
  - Note: Section 20-145 says that you do not include an amount if you inherited the car.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## **Part 2-5—Rules about deductibility of particular kinds of amounts**

### **Division 25—Some amounts you can deduct**

#### **Guide to Division 25**

##### **25-1 What this Division is about**

This Division sets out some amounts you can deduct. Remember that the general rules about deductions in Division 8 (which is about general deductions) apply to this Division.

#### **Table of sections**

##### **Operative provisions**

25-5	Tax-related expenses
25-10	Repairs
25-15	Amount paid for lease obligation to repair
25-20	Lease document expenses
25-25	Borrowing expenses
25-30	Expenses of discharging a mortgage
25-35	Bad debts
25-40	Loss from profit-making undertaking or plan
25-45	Loss by theft etc.
25-47	Misappropriation where a balancing adjustment event occurs
25-50	Payments of pensions, gratuities or retiring allowances
25-55	Payments to associations
25-60	Parliament election expenses
25-65	Local government election expenses
25-70	Deduction for election expenses does not extend to entertainment
25-75	Rates and land taxes on premises used to produce mutual receipts
25-85	Certain returns in respect of debt interests

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Section 25-5**

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25-90	Deduction relating to foreign non-assessable non-exempt income
25-95	Deduction for work in progress amounts
25-100	Travel between workplaces
25-110	Capital expenditure to terminate lease etc.
25-115	Deduction for payment of rent from land investment by operating entity to asset entity in relation to approved economic infrastructure facility
25-120	Transitional—deduction for payment of rent from land investment by operating entity to asset entity
25-125	COVID-19 tests

**Operative provisions**

**25-5 Tax-related expenses**

- (1) You can deduct expenditure you incur to the extent that it is for:
- (a) managing your \*tax affairs; or
  - (b) complying with an obligation imposed on you by a \*Commonwealth law, insofar as that obligation relates to the \*tax affairs of an entity; or
  - (c) the \*general interest charge or the \*shortfall interest charge; or
  - (ca) a penalty under Subdivision 162-D of the \*GST Act; or
  - (cb) levy under the *Major Bank Levy Act 2017*; or
  - (d) obtaining a valuation in accordance with section 30-212 or 31-15.

Note 1: To find out whether a trustee of a deceased estate can deduct expenditure under this section, see subsection 69(7) of the *Income Tax Assessment Act 1936*.

Note 2: If you receive an amount as recoupment of the expenditure, the amount may be included in your assessable income: see Subdivision 20-A.

*No deduction for certain expenditure*

- (2) You cannot deduct under subsection (1):
- (a) \*tax; or

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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- (b) an amount withheld or payable under Part 2-5 or Part 2-10 in Schedule 1 to the *Taxation Administration Act 1953*; or
- (c) expenditure for \*borrowing money (including payments of interest) to pay an amount covered by paragraph (a) or (b); or
- (d) expenditure for a matter relating to the commission (or possible commission) of an offence against an \*Australian law or a \*foreign law; or
- (e) a fee or commission for advice about the operation of a \*Commonwealth law relating to taxation, unless that advice is provided by a \*recognised tax adviser.

*No deduction for expenditure excluded from general deductions*

- (3) You cannot deduct expenditure under subsection (1) to the extent that a provision of this Act (except section 8-1) expressly prevents or limits your deducting it under section 8-1 (about general deductions). It does not matter whether the provision specifically refers to section 8-1.

*No deduction for capital expenditure*

- (4) You cannot deduct capital expenditure under subsection (1). However, for this purpose, expenditure is not capital expenditure merely because the \*tax affairs concerned relate to matters of a capital nature.

Example: Under this section, you can deduct expenditure you incur in applying for a private ruling on whether you can depreciate an item of property.

*Use of property taken to be for income producing purpose*

- (5) Under some provisions of this Act it is important to decide whether you used property for the \*purpose of producing assessable income. For provisions of that kind, your use of property is taken to be for that purpose insofar as you use the property for:
  - (a) managing your \*tax affairs; or

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Section 25-5**

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- (b) complying with an obligation imposed on you by a  
\*Commonwealth law, insofar as that obligation relates to the  
\*tax affairs of another entity.

Example: You buy a computer to prepare your tax returns. The expenditure you incur in buying the computer is capital expenditure and cannot be deducted under this section.

However, to the extent that you use the computer in preparing your income tax return, you will be able to deduct the decline in value of your computer under Division 40. That is because, under this subsection, the computer is property that you are taken to use for the purpose of producing assessable income.

- (6) If another provision of this Act expressly provides that a particular use of property is not taken to be for the \*purpose of producing assessable income, that provision overrides subsection (5).

*No double deduction for general interest charge on a running balance account*

- (7) If you deduct \*general interest charge that applies to an RBA deficit debt, you can't also deduct the corresponding general interest charge on \*tax debts that have been allocated to the RBA.

Note: RBAs (running balance accounts) are dealt with in Part IIB of the *Taxation Administration Act 1953*.

*Expenditure by trustee of deceased estate*

- (8) If:
- (a) after you die, the trustee of your deceased estate incurs expenditure; and
  - (b) had you incurred the expenditure before you died, you could have deducted it under subsection (1);
- for the purposes of assessing the trustee for the income year in which you died, the expenditure is a deduction under that subsection.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.



### **25-10 Repairs**

- (1) You can deduct expenditure you incur for repairs to premises (or part of premises) or a \*depreciating asset that you held or used *solely* for the \*purpose of producing assessable income.

*Property held or used partly for that purpose*

- (2) If you held or used the property only *partly* for that purpose, you can deduct so much of the expenditure as is reasonable in the circumstances.

*No deduction for capital expenditure*

- (3) You cannot deduct capital expenditure under this section.

### **25-15 Amount paid for lease obligation to repair**

You can deduct an amount that you pay for failing to comply with a lease obligation to make repairs to premises if you use or have used the premises for the \*purpose of producing assessable income.

Note: The amount is assessable income of the entity to which you pay it: either as ordinary income under section 6-5 or because it is included by section 15-25.

### **25-20 Lease document expenses**

- (1) You can deduct expenditure you incur for preparing, registering or stamping:
- (a) a lease of property; or
  - (b) an assignment or surrender of a lease of property;
- if you have used or will use the property *solely* for the \*purpose of producing assessable income.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 25-25

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*Property used partly for that purpose*

- (2) If you have used, or will use, the leased property only *partly* for that purpose, you can deduct the expenditure to the extent that you have used, or will use, the leased property for that purpose.

**25-25 Borrowing expenses**

- (1) You can deduct expenditure you incur for *\*borrowing* money, to the extent that you use the money for the *\*purpose* of producing assessable income. In most cases the deduction is spread over the *\*period* of the loan.

For the cases where the deduction is *not* spread, see subsection (6).

Note: Your deductions under this section may be reduced if any of your commercial debts have been forgiven in the income year: see Subdivision 245-E.

*Income year when money used solely for the purpose of producing assessable income*

- (2) You can deduct for an income year the maximum amount worked out under subsection (4) if you use the *\*borrowed* money during that income year *solely* for the *\*purpose* of producing assessable income.

Example: In 1997-98 you borrow \$100,000 and incur expenditure of \$1,500 for the borrowing. You use the money to buy a house. Throughout 1998-99 you rent the house to a tenant. You can deduct for the expenditure for 1998-99 the maximum amount worked out under subsection (4).

*Income year when borrowed money used partly for that purpose*

- (3) If you use the money only *partly* for that purpose during that income year, you can deduct the proportion of that maximum amount that is appropriate having regard to the extent that you used the *\*borrowed* money for that purpose.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

Note: You cannot deduct anything for that income year if you do not use the money for that purpose at all during that income year.

*Maximum deduction for an income year*

- (4) You work out as follows the maximum amount that you can deduct for the expenditure for an income year:

*Method statement*

Step 1. Work out the **remaining expenditure** as follows:

- For the income year in which the \*period of the loan begins, it is the amount of the expenditure.
- For a later income year, it is the amount of the expenditure reduced by the maximum amount that you can deduct for the expenditure for each earlier income year.

Step 2. Work out the **remaining loan period** as follows:

- For the income year in which the \*period of the loan begins, it is the period of the loan (as determined at the end of the income year).
- For a later income year, it is the period from the start of the income year until the end of the period of the loan (as determined at the end of the income year).

Step 3. Divide the remaining expenditure by the number of days in the remaining loan period.

Step 4. Multiply the result from Step 3 by the number of days in the remaining loan period that are in the income year.

Example: To continue the example in subsection (2): suppose the original period of the loan is 4 years starting on 1 September 1997. What is the maximum amount you can deduct for the expenditure for 1997-98?

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Section 25-25**

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Applying the method statement:

After Step 1: the remaining expenditure is \$1,500 (the amount of the expenditure).

After Step 2: the remaining loan period is 4 years from 1 September 1997 (1,461 days).

After Step 3: the result is \$1,500 divided by 1,461 = \$1.03.

After Step 4: the result is \$1.03 multiplied by 302 days = \$310.06.

Suppose you repay the loan early, on 31 December 1998. What is the maximum amount you can deduct for the expenditure for 1998-99?

Applying the method statement:

After Step 1: the remaining expenditure is \$1,500 (the amount of the expenditure) reduced by \$310.06 (the maximum amount you can deduct for 1997-98) = \$1,189.94.

After Step 2: the remaining loan period is the period from 1 July 1998 to 31 December 1998 (183 days).

After Step 3: the result is \$1,189.94 divided by 183 days = \$6.50.

After Step 4: the result is \$6.50 multiplied by 183 days = \$1,189.94.

*Meaning of period of the loan*

- (5) The **period of the loan** is the shortest of these periods:
- (a) the period of the loan as specified in the original loan contract;
  - (b) the period starting on the first day on which the money was borrowed and ending on the day the loan is repaid;
  - (c) 5 years starting on the first day on which the money was borrowed.

*When deduction not spread*

- (6) If the total of the following is \$100 or less:
- (a) each amount of expenditure you incur in an income year for *\*borrowing* money you use during that income year *solely* for the *\*purpose* of producing assessable income;

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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- (b) for each amount of expenditure you incur in that income year for borrowing money you use during that income year only *partly* for that purpose—the proportion of that amount that is appropriate having regard to the extent that you use the money during that income year for that purpose;  
you can deduct for the income year:
- (c) each amount covered by paragraph (a); and  
(d) each proportion covered by paragraph (b).

### **25-30 Expenses of discharging a mortgage**

#### *Mortgage for borrowed money*

- (1) You can deduct expenditure you incur to discharge a mortgage that you gave as security for the repayment of money that you <sup>\*</sup>borrowed if you used the money *solely* for the <sup>\*</sup>purpose of producing assessable income.

#### *Mortgage for property bought*

- (2) You can deduct expenditure you incur to discharge a mortgage that you gave as security for the payment of the whole or part of the purchase price of property that you bought if you used the property *solely* for the <sup>\*</sup>purpose of producing assessable income.

#### *Money or property used partly for that purpose*

- (3) If you used the money you <sup>\*</sup>borrowed, or the property you bought, only *partly* for the <sup>\*</sup>purpose of producing assessable income, you can deduct the expenditure to the extent that you used the money or property for that purpose.

#### *No deduction for payments of principal or interest*

- (4) You cannot deduct payments of principal or interest under this section.

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<sup>\*</sup>To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 25-35

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**25-35 Bad debts**

- (1) You can deduct a debt (or part of a debt) that you write off as bad in the income year if:
- (a) it was included in your assessable income for the income year or for an earlier income year; or
  - (b) it is in respect of money that you lent in the ordinary course of your \*business of lending money.

Note: If a bad debt is in respect of a payment that is required to be made under a qualifying security (within the meaning of Division 16E of Part III of the *Income Tax Assessment Act 1936*): see subsection 63(1A) of that Act.

*Writing off a debt you have bought*

- (2) You can deduct a debt that you write off as bad in the income year if you bought the debt in the ordinary course of your \*business of lending money. However, you cannot deduct more than the expenditure you incurred in buying the debt.

*Writing off part of a debt you have bought*

- (3) You can deduct a part of a debt if:
- (a) you write off that part as bad in the income year; and
  - (b) you bought the debt in the ordinary course of your \*business of lending money.
- (4) However, the maximum that you can deduct under subsection (3) for one or more income years is the amount (if any) by which:
- the expenditure you incurred in buying the debt; exceeds:
  - so much of the debt as has not yet been written off as bad.

*Limit on deductions for bad debts under leases of luxury cars*

- (4A) There is a limit to how much you can deduct under this section for debts you write off that relate to \*luxury car lease payments that

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

have become or will become liable to be made under a lease of a  
\*car to which Division 242 (about luxury car leases) applies.

(4B) The most you can deduct for an income year is:

- the interest for the notional loan you are taken to have made to the lessee;

reduced by:

- each amount that you have deducted, or can deduct, for an earlier income year under this section (or section 63 of the *Income Tax Assessment Act 1936*) for debts relating to \*luxury car lease payments that have become or will become liable to be made under the lease.

*Special rules affecting deductions under this section*

(5) The rules described in the table may affect your entitlement to deductions under this section, or may result in a deduction being reversed.

Provisions of the *Income Tax Assessment Act 1997* are identified in normal text. The other provisions, **in bold**, are provisions of the *Income Tax Assessment Act 1936*.

<b>Rules affecting deductions for bad debts</b>		
<b>Item</b>	<b>For the rules about this situation:</b>	<b>See:</b>
1	A company cannot deduct a bad debt if there has been a change in ownership or control of the company and the company has not satisfied the business continuity test.	Subdivisions 165-C and 166-C
2	A company cannot deduct a bad debt in various other cases that may involve trafficking in bad debts.	Subdivision 175-C and <b>section 63D</b>

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

Section 25-40

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<b>Rules affecting deductions for bad debts</b>		
<b>Item</b>	<b>For the rules about this situation:</b>	<b>See:</b>
3	A deduction under this section is reduced if the debt is forgiven and the debtor and creditor are companies under common ownership and agree for the creditor to forgo the deduction to a specified extent.	section 245-90
4	If you receive an amount as recoupment of a bad debt that you can deduct under this section, the amount may be included in your assessable income.	Subdivision 20-A
5	Certain trusts cannot deduct a bad debt if there has been a change in ownership or control or an abnormal trading in their units	<b>Divisions 266 and 267 in Schedule 2F</b>
6	An entity that used to be a member of a consolidated group or MEC group can deduct a bad debt that used to be owed to a member of the group only if certain conditions are met	Subdivisions 709-D and 719-I
Note:	Subsections 230-180(3), (5) and (6) and 230-195(3), (5) and (6) provide that in certain circumstances a deduction for a loss in relation to a financial arrangement is to be treated, for the purposes of this Act, as a deduction of a bad debt. The rules referred to in this subsection apply to that deduction.	

**25-40 Loss from profit-making undertaking or plan**

- (1) You can deduct a loss arising from the carrying on or carrying out of a profit-making undertaking or plan if any profit from that plan would have been included in your assessable income by section 15-15 (which is about profit-making undertakings and plans).

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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*When section does not apply*

- (2) You cannot deduct a loss under subsection (1) if the loss arises in respect of the sale of property acquired on or after 20 September 1985.

Note: If you sell property you acquired *before* 20 September 1985 for profit-making by sale, you may be able to deduct a loss on the sale: see section 52 of the *Income Tax Assessment Act 1936*.

*Notice to Commissioner*

- (3) You can deduct a loss under subsection (1), insofar as it arises in respect of property, only if:
- (a) you notified the Commissioner that you acquired the property for the purpose of profit-making by sale or for the carrying on or carrying out of any profit-making undertaking or plan (however described); or
  - (b) the Commissioner is satisfied that you acquired the property for either of those purposes.

*When notice must have been given*

- (4) The notice must have been given at or before the time you lodged your <sup>\*</sup>income tax return:
- (a) for the income year in which you acquired the property; or
  - (b) if you were not required to lodge an income tax return for that income year—for the first income year after that income year for which you *were* required to lodge one.

**25-45 Loss by theft etc.**

You can deduct a loss in respect of money if:

- (a) you discover the loss in the income year; and
- (b) the loss was caused by theft, stealing, embezzlement, larceny, defalcation or misappropriation by your employee or <sup>\*</sup>agent

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<sup>\*</sup>To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Section 25-47**

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(other than an individual you employ solely for private purposes); and

- (c) the money was included in your assessable income for the income year, or for an earlier income year.

Note: If you receive an amount as recoupment of the loss, the amount may be included in your assessable income: see Subdivision 20-A.

**25-47 Misappropriation where a balancing adjustment event occurs**

- (1) You can deduct an amount if:

- (a) a \*balancing adjustment event occurs for a \*depreciating asset you \*held; and
- (b) your employee or \*agent misappropriates (whether by theft, embezzlement, larceny or otherwise) all or part of the amount applicable to you under:
- (i) item 8 of the table in subsection 40-300(2); or
- (ii) item 1, 3, 4 or 6 of the table in subsection 40-305(1);
- in relation to the balancing adjustment event.

Note 1: The amount applicable to you under subsection 40-300(2) or 40-305(1) may be the market value of an asset or of a non-cash benefit.

Note 2: If you receive an amount as recoupment of the amount misappropriated, the amount may be included in your assessable income: see Subdivision 20-A.

- (2) The amount you can deduct is so much of the amount misappropriated as represents an amount applicable to you under item 8 of the table in subsection 40-300(2) or item 1, 3, 4 or 6 of the table in subsection 40-305(1) in relation to the \*balancing adjustment event.
- (3) You can deduct the amount for the income year in which the misappropriation happens.
- (4) You must reduce the amount you can deduct under this section if your deductions for the asset have been reduced under

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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section 40-25 because of use for a purpose other than a \*taxable purpose. The reduction is by the same proportion you reduce the balancing adjustment amount for the asset under section 40-290.

- (4A) You must further reduce the amount you can deduct under this section if your deductions for the asset have been reduced under section 40-27 (about second-hand assets in residential property). The reduction is by the same proportion you reduce the balancing adjustment amount for the asset under section 40-291.
- (5) Section 170 of the *Income Tax Assessment Act 1936* does not prevent the amendment of an assessment for the purposes of giving effect to this section for an income year if:
- (a) you discover the misappropriation after you lodged your \*income tax return for the income year; and
  - (b) the amendment is made at any time during the period of 4 years starting immediately after you discover the misappropriation.

### **25-50 Payments of pensions, gratuities or retiring allowances**

- (1) You can deduct a payment of a pension, gratuity or retiring allowance that you make to:
- (a) an employee; or
  - (b) a former employee; or
  - (c) a dependant of an employee or a former employee.
- (2) However, you can deduct it only to the extent that it is made in good faith in consideration of the past services of the employee, or former employee, in any \*business that you carried on for the purpose of gaining or producing assessable income.
- (3) You cannot deduct a payment under this section if you can deduct it under any other provision of this Act.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 25-55

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**25-55 Payments to associations**

- (1) You can deduct a payment you make for membership of a trade, business or professional association.

Note: Alternatively, you can deduct the expense under section 8-1 (which is about general deductions) if you satisfy the requirements of that section.

*Maximum amount—\$42*

- (2) However, \$42 is the maximum amount you can deduct under this section for the payments that you make in the income year to any one association.

*If you deduct under section 8-1*

- (3) If you deduct a payment under section 8-1 (which is about general deductions) instead of this section:
- (a) the payment does *not* count towards the \$42 limit; and
  - (b) the amount that you can deduct for the payment is *not* limited to \$42.

**25-60 Parliament election expenses**

- (1) You can deduct expenditure you incur in contesting an election for membership of:
- (a) the Parliament of the Commonwealth; or
  - (b) the Parliament of a State; or
  - (c) the Legislative Assembly for the Australian Capital Territory; or
  - (d) the Legislative Assembly of the Northern Territory of Australia.

Note 1: Entertainment expenses are excluded: see section 25-70.

Note 2: If you receive an amount as recoupment of the expenditure, the amount may be included in your assessable income: see Subdivision 20-A.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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### 25-65 Local government election expenses

- (1) You can deduct expenditure you incur in contesting an election for membership of a \*local governing body, but you cannot deduct more than \$1,000 per election. You deduct the expenditure for the income year in which you incur it.
- (2) However, you can deduct more than the \$1,000 limit if:
  - (a) you have received an amount as \*recoupment of the expenditure; and
  - (b) some or all of that amount is included in your assessable income for an income year; and
  - (c) the total of your deductions for the election would be less than the \$1,000 limit if you disregarded so much (the **assessed recoupment**) of the expenditure as equals the amount so included in your assessable income.

In that case:

- (d) the assessed recoupment is disregarded in applying the \$1,000 limit; and
- (e) the further amount that you can deduct because of paragraph (d) is deducted for the income year referred to in paragraph (b).

**Example:** Chris is elected to the Bunyip Shire Council. In the 2007-08 income year he incurs expenditure of \$1,200 in contesting the election, of which he deducts \$1,000 (the limit under subsection (1)).

In 2008-09, Chris receives \$360 as an assessable recoupment of the expenditure. \$300 of that is included in his assessable income by section 20-35 (as extended by section 20-50).

Because of the assessable recoupment, \$300 of the expenditure is disregarded under paragraph (2)(d) in applying the \$1,000 limit. As a result, Chris's deductions are treated as being only \$700, which is less than the limit. This does not affect his original deduction for 2007-2008, but it means he can deduct the previously undeducted \$200, for 2008-09 (see paragraph (2)(e)).

This triggers a further application of section 20-35 (as extended by section 20-50) to include the remaining \$60 of the assessable

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Section 25-70**

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recoupment in Chris's assessable income for 2008-09. His total deductions (net of recoupment included in assessable income) come to \$840, which is the same as his original expenditure (net of recoupment).

Note: An amount you receive as recoupment of expenditure may be included in your assessable income as an assessable recoupment under Subdivision 20-A, as ordinary income under section 6-5 or as statutory income under some other provision.

**25-70 Deduction for election expenses does not extend to entertainment**

- (1) To the extent that you incur expenditure in respect of providing \*entertainment, you cannot deduct it under section 25-60 or 25-65.
- (2) However, subsection (1) does not stop you deducting expenditure to the extent that you incur it in respect of:
  - (a) providing \*entertainment that is available to the public generally; or
  - (b) providing food or drink to yourself, unless it would be concluded that you have a purpose of enabling or facilitating \*entertainment to be provided to someone else.

**25-75 Rates and land taxes on premises used to produce mutual receipts**

- (1) An entity can deduct these amounts it pays for premises:
  - (a) rates which are annually assessed;
  - (b) land tax imposed under a \*State law or \*Territory law.But only if it uses the premises:
  - (c) for the purpose of producing mutual receipts; or
  - (d) in carrying on a \*business for the purpose of producing mutual receipts; or
  - (e) for the purpose of producing amounts to which section 59-35 applies (amounts that would be mutual receipts but for prohibition on distributions to members or issue of MCIs); or

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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- (f) in carrying on a \*business for the purpose of producing amounts to which section 59-35 applies.

Note: If the entity receives an amount as recoupment of the rates or land tax, the amount may be included in its assessable income: see Subdivision 20-A

*When premises used only for deductible purposes*

- (2) The entity can deduct the *whole* of the rates or land tax if it uses the premises *only* in one or more of these ways:
- (a) for the purpose of producing mutual receipts;
  - (b) in carrying on a \*business for the purpose of producing mutual receipts;
  - (c) for the \*purpose of producing assessable income.

*When premises used partly for deductible purposes*

- (3) If the entity uses the premises *partly* in one or more of the ways referred to in subsection (2) and partly in some other way, it can deduct the rates or land tax to the extent that it uses the premises in one or more of the ways referred to in that subsection.

*No deduction under section 8-1*

- (4) The entity cannot deduct the rates or land tax under section 8-1 (which is about general deductions).

**25-85 Certain returns in respect of debt interests**

- (1) This section deals with a \*return that an entity pays or provides on a \*debt interest.
- (2) The \*return is not prevented from being a \*general deduction for an income year under section 8-1 merely because:
- (a) the return is \*contingent on aspects of the economic performance (whether past, current or future) of:
    - (i) the entity or a part of the entity's activities; or

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Section 25-85**

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- (ii) a \*connected entity of the entity or a part of the activities of a connected entity of the entity; or
  - (b) the return secures a permanent or enduring benefit for the entity or a connected entity of the entity.
- (3) If the \*return is a \*dividend, the entity can deduct the return to the extent to which it would have been a \*general deduction under section 8-1 if:
  - (a) the payment of the return were the incurring by the entity of a liability to pay the same amount as interest; and
  - (b) that interest were incurred in respect of the finance raised by the entity and in respect of which the return was paid or provided; and
  - (c) the \*debt interest retained its character as a debt interest for the purposes of subsection (2).
- (4) Subsections (2) and (3) do not apply to a \*return to the extent to which it would be a \*general deduction under section 8-1 apart from this section.
- (4A) Subsections (2) and (3) do not apply to a \*return on a \*debt interest that is a \*Division 230 financial arrangement.
- (5) Subject to regulations made for the purposes of subsection (6), subsections (2) and (3) do not apply to the return to the extent to which the annually compounded internal rate of return exceeds the \*benchmark rate of return for the interest increased by 150 basis points.
- (6) The regulations may provide that subsection (5) applies in the circumstances specified in the regulations as if the reference to 150 basis points were a reference to a greater or lesser number of basis points.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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### **25-90 Deduction relating to foreign non-assessable non-exempt income**

An \*Australian entity can deduct an amount of loss or outgoing from its assessable income for an income year if:

- (a) the amount is incurred by the entity in deriving income from a foreign source; and
- (b) the income is \*non-assessable non-exempt income under section 768-5, or section 23AI or 23AK of the *Income Tax Assessment Act 1936*; and
- (c) the amount is a cost in relation to a \*debt interest issued by the entity that is covered by paragraph (1)(a) of the definition of **debt deduction**.

Note: This section does not apply to a Division 230 financial arrangement.

### **25-95 Deduction for work in progress amounts**

- (1) You can deduct a \*work in progress amount that you pay for the income year in which you pay it to the extent that, as at the end of that income year:
  - (a) a recoverable debt has arisen in respect of the completion or partial completion of the work to which the amount related; or
  - (b) you reasonably expect a recoverable debt to arise in respect of the completion or partial completion of that work within the period of 12 months after the amount was paid.
- (2) You can deduct the remainder (if any) of the \*work in progress amount for the following income year.
- (3) An amount is a **work in progress amount** to the extent that:
  - (a) an entity agrees to pay the amount to another entity (the **recipient**); and
  - (b) the amount can be identified as being in respect of work (but not goods) that has been partially performed by the recipient

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 25-100

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for a third entity but not yet completed to the stage where a recoverable debt has arisen in respect of the completion or partial completion of the work.

- (4) An amount does not stop being a ***work in progress amount*** merely because it is paid after a recoverable debt has arisen in respect of the completion or partial completion of the work to which the amount related.

**25-100 Travel between workplaces**

*When a deduction is allowed*

- (1) If you are an individual, you can deduct a \*transport expense to the extent that it is incurred in your \*travel between workplaces.

*Travel between workplaces*

- (2) Your ***travel between workplaces*** is travel directly between 2 places, to the extent that:
- (a) while you were at the first place, you were:
    - (i) engaged in activities to gain or produce your assessable income; or
    - (ii) engaged in activities in the course of carrying on a \*business for the purpose of gaining or producing your assessable income; and
  - (b) the purpose of your travel to the second place was to:
    - (i) engage in activities to gain or produce your assessable income; or
    - (ii) engage in activities in the course of carrying on a business for the purpose of gaining or producing your assessable income;and you engaged in those activities while you were at the second place.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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- (3) Travel between 2 places is not *travel between workplaces* if one of the places you are travelling between is a place at which you reside.
- (4) Travel between 2 places is not *travel between workplaces* if, at the time of your travel to the second place:
- (a) the arrangement under which you gained or produced assessable income at the first place has ceased; or
  - (b) the \*business in respect of which you engaged in activities at the first place has ceased.

*No deduction for capital expenditure*

- (5) You cannot deduct expenditure under subsection (1) to the extent that the expenditure is capital, or of a capital nature.

**25-110 Capital expenditure to terminate lease etc.**

- (1) You can deduct an amount for capital expenditure you incur to terminate a lease or licence (including an authority, permit or quota) that results in the termination of the lease or licence if the expenditure is incurred:
- (a) in the course of carrying on a \*business; or
  - (b) in connection with ceasing to carry on a business.
- (2) The amount you can deduct is 20% of the expenditure:
- (a) for the income year in which the lease or licence is terminated; and
  - (b) for each of the next 4 income years.

*Exceptions*

- (3) You cannot deduct any amount for expenditure you incur to terminate a lease that, in accordance with \*accounting standards, or statements of accounting concepts made by the Australian Accounting Standards Board, is classified as a finance lease.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Section 25-115**

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- (4) If you incurred the expenditure under an \*arrangement and:
- (a) there is at least one other party to the arrangement with whom you did not deal at \*arm's length; and
  - (b) apart from this subsection, the amount of the expenditure would be more than the \*market value of what it was for (assuming the termination did not occur and was never proposed to occur);
- the amount of expenditure you take into account is that market value.
- (5) You cannot deduct any amount for expenditure you incur to terminate a lease or licence if:
- (a) after the termination, you or an \*associate of yours enters into another lease or licence with the same party or an associate of that party; and
  - (b) the other lease or licence is of the same kind as the original one.
- (6) You cannot deduct any amount for expenditure you incur to terminate a lease or licence to the extent that the expenditure is for the granting or receipt of another lease or licence in relation to the asset that was the subject of the original lease or licence.

**25-115 Deduction for payment of rent from land investment by operating entity to asset entity in relation to approved economic infrastructure facility**

- (1) An entity that is an \*operating entity in relation to a \*cross staple arrangement can deduct an amount, for an income year, of \*rent from land investment if:
- (a) another entity derives or receives the amount from the operating entity:
    - (i) in the income year; and
    - (ii) on or after 27 March 2018; and
  - (b) the cross staple arrangement was entered into in relation to:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

- (i) a facility that is covered by section 12-439 in Schedule 1 to the *Taxation Administration Act 1953* at a time in the income year; or
  - (ii) an improvement to a facility that is covered by that section at a time in the income year; and
  - (c) the other entity is an \*asset entity in relation to the cross staple arrangement; and
  - (d) apart from this subsection, the operating entity could otherwise deduct the amount under this Act; and
  - (e) the amount is \*excepted MIT CSA income of the asset entity for the income year; and
  - (f) each entity that is a \*stapled entity in relation to the cross staple arrangement has made a choice in accordance with subsection (3).
- (2) If the \*asset entity is not a \*managed investment trust in relation to the income year, for the purposes of paragraph (1)(e), treat it as a managed investment trust in relation to the income year.
- (3) An entity makes a choice in accordance with this subsection if:
- (a) the entity makes the choice in the \*approved form; and
  - (b) the entity makes the choice before:
    - (i) the start of the income year in which the asset is first put to use; or
    - (ii) a later time allowed by the Commissioner; and
  - (c) the entity gives the choice to the Commissioner within 60 days after the entity makes the choice.
- (4) The choice cannot be revoked.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 25-120

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**25-120 Transitional—deduction for payment of rent from land investment by operating entity to asset entity**

- (1) This section applies if the requirements in subsection 12-440(1) or (2) in Schedule 1 to the *Taxation Administration Act 1953* are satisfied in relation to a \*cross staple arrangement.
- (2) An entity that is an \*operating entity in relation to the \*cross staple arrangement can deduct, for an income year, an amount of \*rent from land investment if:
  - (a) another entity derives or receives the amount from the operating entity at a time that:
    - (i) is in the income year; and
    - (ii) is on or after 27 March 2018; and
    - (iii) meets the requirements in subsection 12-440(4) of Schedule 1 to the *Taxation Administration Act 1953*; and
  - (b) the other entity is an \*asset entity in relation to the cross staple arrangement; and
  - (c) apart from this subsection, the operating entity could otherwise deduct the amount under this Act; and
  - (d) the amount is \*excepted MIT CSA income of the asset entity for the income year.
- (3) If the \*asset entity is not a \*managed investment trust in relation to the income year, for the purposes of paragraph (2)(d), treat it as a managed investment trust in relation to the income year.

**25-125 COVID-19 tests**

- (1) You can deduct a loss or outgoing to the extent it is incurred in gaining or producing your assessable income if:
  - (a) you are an individual; and

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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- (b) the loss or outgoing is incurred in respect of testing you for the novel coronavirus SARS-CoV-2 that causes COVID-19 using a test covered by subsection (3); and
  - (c) the purpose of testing you is to determine whether you may attend or remain at a place where you:
    - (i) engage in activities to gain or produce your assessable income; or
    - (ii) engage in activities in the course of carrying on a \*business for the purpose of gaining or producing your assessable income.
- (2) However, you cannot deduct a loss or outgoing under this section to the extent that it is a loss or outgoing of capital, or of a capital nature.
- (3) This subsection covers a test that:
- (a) is a polymerase chain reaction test; or
  - (b) is a therapeutic good (within the meaning of the *Therapeutic Goods Act 1989*) that:
    - (i) is included in the Australian Register of Therapeutic Goods maintained under section 9A of that Act; and
    - (ii) has an intended purpose, accepted in relation to that inclusion, that relates to the detection of the novel coronavirus SARS-CoV-2 that causes COVID-19.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 26** Some amounts you cannot deduct, or cannot deduct in full

Section 26-1

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**Division 26—Some amounts you cannot deduct, or cannot deduct in full**

**Guide to Division 26**

**26-1 What this Division is about**

This Division sets out some amounts that you *cannot* deduct, or that you cannot deduct in full.

**Table of sections**

**Operative provisions**

26-5	Penalties
26-10	Leave payments
26-15	Franchise fees windfall tax
26-17	Commonwealth places windfall tax
26-19	Rebatable benefits
26-20	Assistance to students
26-22	Political contributions and gifts
26-25	Interest or royalty
26-25A	Payments to employees—labour mobility programs
26-26	Non-share distribution and dividends
26-30	Relative's travel expenses
26-31	Travel related to use of residential premises as residential accommodation
26-35	Reducing deductions for amounts paid to related entities
26-40	Maintaining your family
26-45	Recreational club expenses
26-47	Non-business boating activities
26-50	Expenses for a leisure facility
26-52	Bribes to foreign public officials
26-53	Bribes to public officials
26-54	Expenditure relating to illegal activities
26-55	Limit on deductions

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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26-60	Superannuation contributions surcharge
26-68	Loss from disposal of eligible venture capital investments
26-70	Loss from disposal of venture capital equity
26-75	Excess non-concessional contributions tax cannot be deducted
26-80	Financing costs on loans to pay superannuation contribution
26-85	Borrowing costs on loans to pay life insurance premiums
26-90	Superannuation supervisory levy
26-95	Superannuation guarantee charge
26-96	Laminaria and Corallina decommissioning levy cannot be deducted
26-97	National Disability Insurance Scheme expenditure
26-98	Division 293 tax cannot be deducted
26-99	Excess transfer balance tax cannot be deducted
26-100	Expenditure attributable to water infrastructure improvement payments
26-102	Expenses associated with holding vacant land
26-105	Non-compliant payments for work and services

## Operative provisions

### 26-5 Penalties

- (1) You cannot deduct under this Act:
  - (a) an amount (however described) payable, by way of penalty, under an \*Australian law or a \*foreign law; or
  - (b) an amount ordered by a court to be paid on the conviction of an entity for an offence against an \*Australian law or a \*foreign law.
- (2) This section does not apply to an amount payable, by way of penalty, under Subdivision 162-D of the \*GST Act.

Note: See paragraph 25-5(1)(ca) for the deductibility of penalties that arise under Subdivision 162-D of the GST Act.

### 26-10 Leave payments

- (1) You cannot deduct under this Act a loss or outgoing for long service leave, annual leave, sick leave or other leave except:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 26** Some amounts you cannot deduct, or cannot deduct in full

**Section 26-15**

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- (a) an amount paid in the income year to the individual to whom the leave relates (or, if that individual has died, to that individual's dependant or \*legal personal representative); or
  - (b) an \*accrued leave transfer payment that is made in the income year.
- (2) An **accrued leave transfer payment** is a payment that an entity makes:
- (a) in respect of an individual's leave (some or all of which accrued while the entity was required to make payments in respect of the individual's leave, or leave the individual might take); and
  - (b) when the entity is no longer required (or is about to stop being required) to make payments in respect of such leave; and
  - (c) to another entity when the other entity has begun (or is about to begin) to be required to make payments in respect of such leave; and
  - (d) under (or for the purposes of facilitating the provisions of) an \*Australian law, or an award, order, determination or industrial agreement under an \*Australian law.

It does not matter whether the leave accrues to the individual as an employee or for some other reason.

**Example:** Your employee goes to a new employer. You pay the new employer \$2,000 for the employee's unused long service leave because an industrial agreement requires you to make that payment.

**Note:** An accrued leave transfer payment is included in the assessable income of the entity to which it is made: see section 15-5.

**26-15 Franchise fees windfall tax**

You cannot deduct under this Act any tax that is imposed by the *Franchise Fees Windfall Tax (Imposition) Act 1997*.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

### **26-17 Commonwealth places windfall tax**

You cannot deduct under this Act any tax that is imposed by the *Commonwealth Places Windfall Tax (Imposition) Act 1998*.

### **26-19 Rebatable benefits**

- (1) You cannot deduct under this Act a loss or outgoing to the extent that the loss or outgoing is incurred in gaining or producing a rebatable benefit (within the meaning of section 160AAA of the *Income Tax Assessment Act 1936*).
- (2) To the extent that you use property in gaining or producing a rebatable benefit, your use of the property is taken *not* to be for the \*purpose of producing assessable income if subsection (1) would stop you deducting a loss or outgoing if you incurred it in the income year in gaining or producing the rebatable benefit.

Note: Under some provisions of this Act, in order to deduct an amount for your property, you must have used the property for the purpose of producing assessable income.

### **26-20 Assistance to students**

- (1) You cannot deduct under this Act:
  - (ca) a student contribution amount within the meaning of the *Higher Education Support Act 2003* paid to a higher education provider (within the meaning of that Act); or
  - (cb) a payment made to reduce a debt to the Commonwealth under Chapter 4 of that Act; or
  - (cba) a payment made to reduce a debt to the Commonwealth under Part 3A of the *VET Student Loans Act 2016*; or
  - (cc) a payment made to reduce a debt to the Commonwealth under Chapter 2AA of the *Social Security Act 1991* or Part 2 of the *Student Assistance Act 1973*; or
  - (cd) a payment made to reduce a debt to the Commonwealth under Chapter 3 of the *Trade Support Loans Act 2014*; or

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 26** Some amounts you cannot deduct, or cannot deduct in full

Section 26-22

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- (ce) a payment made to reduce a liability to overseas debtors repayment levy under the *Student Loans (Overseas Debtors Repayment Levy) Act 2015*; or
- (d) a payment made to reduce a debt to the Commonwealth, or to a participating corporation, under Chapter 2B of the *Social Security Act 1991* or Part 4A of the *Student Assistance Act 1973*.

*Exception when you provide a fringe benefit*

- (2) Subsection (1) does not stop you deducting expenditure you incur in \*providing a \*fringe benefit.

**26-22 Political contributions and gifts**

*You cannot deduct political contributions or gifts*

- (1) You cannot deduct under this Act (other than Subdivision 30-DA):
  - (a) a contribution (including a membership fee) or gift to a political party that is registered under Part XI of the *Commonwealth Electoral Act 1918* or under corresponding State or Territory legislation; or
  - (b) a contribution or gift to an individual when the individual is a candidate in an election for members of:
    - (i) an \*Australian legislature; or
    - (ii) a \*local governing body; or
  - (c) a contribution or gift to an individual who is a member of:
    - (i) an Australian legislature; or
    - (ii) a local governing body.

*Exception for employees and office holders*

- (2) However, subsection (1) does not apply to a loss or outgoing incurred in gaining or producing assessable income from which an amount is required to be withheld under section 12-35 or 12-45 in Schedule 1 to the *Taxation Administration Act 1953*.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

Note: These provisions of the *Taxation Administration Act 1953* require amounts to be withheld from income of employees and office holders.

*Starting and stopping being a candidate*

- (3) For the purposes of this section, an individual:
- (a) starts being a candidate when the individual's intention to be or to attempt to be a candidate for the election is publicly available; and
  - (b) stops being a candidate at the earlier of:
    - (i) the time when the result of the election is declared or otherwise publicly announced by an entity (an **electoral official**) authorised under the relevant electoral legislation; and
    - (ii) the time (if any) when the individual's intention to no longer be a candidate for the election is publicly available.

*Starting being a member*

- (4) An individual who becomes a member as a result of an election (including an election that is later declared void) is taken to start being a member when the individual's election as a member is declared or otherwise publicly announced by an electoral official.

## 26-25 Interest or royalty

- (1) You cannot deduct under this Act interest (within the meaning of Division 11A of Part III of the *Income Tax Assessment Act 1936*) or a \*royalty if:
- (a) Subdivision 12-F in Schedule 1 to the *Taxation Administration Act 1953* requires you to withhold an amount from the interest or royalty; and
  - (b) either:
    - (i) you fail to withhold the amount; or

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 26** Some amounts you cannot deduct, or cannot deduct in full

**Section 26-25A**

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- (ii) after withholding the amount, you fail to comply with section 16-70 in that Schedule in relation to that amount.
- (2) You cannot deduct under this Act interest (within the meaning of Division 11A of Part III of the *Income Tax Assessment Act 1936*), or a \*royalty, that is in the form of a \*non-cash benefit if:
  - (a) section 14-5 or 14-10 in Schedule 1 to the *Taxation Administration Act 1953* requires you to pay an amount to the Commissioner before providing the benefit, because of Subdivision 12-F in that Schedule; and
  - (b) you fail to pay the amount as required by that section.
- (3) If:
  - (a) apart from subsection (1) or (2), you can deduct interest (within the meaning of Division 11A of Part III of the *Income Tax Assessment Act 1936*) or a \*royalty for an income year; and
  - (b) the \*withholding tax payable for the interest or the royalty is paid;you can deduct the interest or royalty for that income year.

**26-25A Payments to employees—labour mobility programs**

*No deduction to extent amount not withheld*

- (1) You cannot deduct under this Act salary, wages, commission, bonuses or allowances from which Subdivision 12-FC in Schedule 1 to the *Taxation Administration Act 1953* (about labour mobility programs) requires you to withhold an amount, to the extent that:
  - (a) you fail to withhold the amount; or
  - (b) after withholding the amount, you fail to comply with section 16-70 in that Schedule in relation to that amount.

Note: Section 16-70 in that Schedule requires you to pay the amount to the Commissioner.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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*Deduction to extent amount not withheld but withholding tax paid*

- (2) You can deduct, for an income year, salary, wages, commission, bonuses or allowances to the extent that:
- (a) you cannot deduct the salary, wages, commission, bonuses or allowances for that income year only because of subsection (1) of this section; and
  - (b) the \*labour mobility program withholding tax payable for the salary, wages, commission, bonuses or allowance is paid.

**26-26 Non-share distributions and dividends**

- (1) A company cannot deduct under this Act:
- (a) a \*non-share distribution; or
  - (b) a return that has accrued on a \*non-share equity interest.
- (2) A company cannot deduct a \*dividend paid on an \*equity interest in the company as a \*general deduction under this Act.

**26-30 Relative's travel expenses**

- (1) You cannot deduct under this Act a loss or outgoing you incur, insofar as it is attributable to your \*relative's travel, if:
- (a) you travelled in the course of performing your duties as an employee, or in the course of carrying on a \*business for the purpose of gaining or producing your assessable income; and
  - (b) your relative accompanied you while you travelled.

*Exception to subsection (1)*

- (2) Subsection (1) does not stop you deducting a loss or outgoing if:
- (a) your \*relative, while accompanying you, performed substantial duties as your employer's employee, or as your employee; and

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 26** Some amounts you cannot deduct, or cannot deduct in full

**Section 26-30**

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- (b) it is reasonable to conclude that your relative would still have accompanied you even if he or she had not had a personal relationship with you.

*Exception when you provide a fringe benefit*

- (3) Subsection (1) does not stop you deducting expenditure you incur in \*providing a \*fringe benefit.

*This section also applies to individuals who are not employees*

- (4) If an individual is *not* an employee, but receives, or is entitled to receive, \*withholding payments covered by subsection (6), this section applies to the individual as if:
  - (a) he or she were an employee; and
  - (b) the entity, who pays (or is liable to pay) \*withholding payments covered by subsection (6) that result in the individual being in receipt of, or entitled to receive, such payments, were the individual's employer; and
  - (c) any other individual who receives (or is entitled to receive) \*withholding payments covered by subsection (6):
    - (i) that result in that other individual being in receipt of, or entitled to receive, such payments; and
    - (ii) that the entity pays (or is liable to pay) to that other individual;were an employee of the entity.

*This section also applies to entities who are not employers*

- (5) If an entity is *not* an employer, but pays (or is liable to pay) \*withholding payments covered by subsection (6), this section applies to the entity as if:
  - (a) it were an employer; and
  - (b) an individual to whom the entity pays (or is liable to pay) such withholding payments were the entity's employee.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.



*Withholding payments covered*

- (6) This subsection covers:
- (a) a \*withholding payment covered by any of the provisions in Schedule 1 to the *Taxation Administration Act 1953* listed in the table; and
  - (b) a withholding payment covered by section 12-47 in Schedule 1 to the *Taxation Administration Act 1953* where:
    - (i) the payment is made to a religious practitioner by a religious institution; and
    - (ii) the activity, or series of activities, for which the payment is made is done by the religious practitioner as a member of the religious institution.

<b>Withholding payments covered</b>		
<b>Item</b>	<b>Provision</b>	<b>Subject matter</b>
1	Section 12-40	Payment to company director
2	Section 12-45	Payment to office holder
3	Section 12-50	Return to work payment
4	Subdivision 12-D	Benefit, training and compensation payments

**26-31 Travel related to use of residential premises as residential accommodation**

- (1) You cannot deduct under this Act a loss or outgoing you incur, insofar as it is related to travel, if:
- (a) it is incurred in gaining or producing your assessable income from the use of \*residential premises as residential accommodation; and
  - (b) it is not necessarily incurred in carrying on a \*business for the purpose of gaining or producing your assessable income.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

Section 26-35

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*Exception—kind of entity*

- (2) Subsection (1) does not stop you deducting a loss or outgoing if, at any time during the income year in which the loss or outgoing is incurred, you are:
- (a) a \*corporate tax entity; or
  - (b) a \*superannuation plan that is not a \*self managed superannuation fund; or
  - (c) a \*managed investment trust; or
  - (d) a public unit trust (within the meaning of section 102P of the *Income Tax Assessment Act 1936*); or
  - (e) a unit trust or partnership, if each \*member of the trust or partnership is covered by a paragraph of this subsection at that time during the income year.

**26-35 Reducing deductions for amounts paid to related entities**

*You can only deduct reasonable amounts paid to related entities*

- (1) If, under another provision of this Act, you can deduct an amount for a payment you make, or for a liability you incur, to a \*related entity, then you can only deduct so much of the amount as the Commissioner considers reasonable.

Note: This section has a special operation if the payment is made, or the liability is incurred, by a partnership in which a private company is a partner: see section 65 (Payments to associated persons and relatives) of the *Income Tax Assessment Act 1936*.

*Meaning of related entity*

- (2) A **related entity** is any of the following:
- (a) your \*relative; or
  - (b) a partnership in which your relative is a partner.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

- (3) In the case of a partnership, a **related entity** is any of the following:
- (a) a \*relative of a partner in the partnership;
  - (b) an individual who is or has been a director of a company that is a partner in the partnership and is a \*private company for the income year;
  - (c) an entity that is or has been a shareholder in a company of that kind;
  - (d) a \*relative of an individual who is or has been a director or shareholder of a company of that kind;
  - (e) a beneficiary of a trust if the trustee is a partner in the partnership;
  - (f) a \*relative of a beneficiary of a trust if the trustee is a partner in the partnership;
  - (g) another partnership, if a partner in the other partnership is a \*relative of a partner in the first partnership.

However, a partner in a partnership is *not* a **related entity** of the partnership.

*If you can't deduct, then related entity doesn't include amount as income*

- (4) To the extent that subsection (1) stops you deducting an amount, the amount is neither assessable income, nor exempt income, of the \*related entity.

## **26-40 Maintaining your family**

You cannot deduct under this Act expenditure you incur for maintaining:

- (a) your \*spouse (except a spouse permanently living separately and apart from you); or
- (b) your \*child who is under 16 years.

Example: A farmer cannot deduct an amount for food or lodgings that the farmer provides to his or her child who is under 16 years for the work the child performs on the farm.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 26-45

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**26-45 Recreational club expenses**

- (1) You cannot deduct under this Act a loss or outgoing to the extent you incur it to obtain or maintain:
- (a) membership of a \*recreational club; or
  - (b) rights to enjoy (otherwise than as a \*member) facilities provided by a \*recreational club for the use or benefit of its \*members;
- whether for yourself or someone else.

*Meaning of recreational club*

- (2) A **recreational club** is a company that was established or is carried on mainly to provide facilities, for the use or benefit of its \*members, for drinking, dining, \*recreation or entertainment.

*Exception when you provide a fringe benefit*

- (3) Subsection (1) does not stop you deducting expenditure you incur in \*providing a \*fringe benefit.

**26-47 Non-business boating activities**

*Object*

- (1) The object of this section is to improve the integrity of the taxation system by preventing deductions from boating activities that are not carried on as a \*business being offset against other assessable income.

*Rule*

- (2) This Act applies to you as if so much of the amounts relating to using or \*holding boats that you could otherwise deduct for an income year as exceeds your assessable income from using or holding boats for that year:
- (a) were not deductible for that income year; and

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

- (b) were an amount (a **quarantined amount**) relating to using or holding boats that you can deduct for the next income year.

**Note:** A quarantined amount may be reduced under subsection (5) (for boat capital gains), reduced under subsection (7) (where you deduct part of a quarantined amount under subsection (6) for boat business profits), reduced under subsection (8) (about exempt income) or affected by subsection (10) (about bankruptcy).

**Example:** Ian does not use his boat in a business. In Year 1, Ian would be able to claim \$100,000 in deductions for the boat (but for this subsection), including interest, depreciation and running costs. He earns only \$40,000 of income from the boat. He can only deduct \$40,000. He carries the remaining \$60,000 forward to Year 2 (the quarantined amount).

In Year 2, Ian has \$95,000 of expenses and \$30,000 of income for the boat. He can deduct \$30,000. The quarantined amount is now \$125,000: the quarantined amount from Year 1 plus the excess of expenses over income from Year 2.

In Year 3, Ian has \$60,000 of expenses and \$150,000 of income from the boat. The expenses from Year 3 plus the quarantined amount is \$185,000. Therefore, Ian claims a deduction of \$150,000 and carries forward \$35,000 to Year 4.

*Exception: business use*

- (3) The rule in subsection (2) does not apply to amounts that are attributable to one or more of the following:
- (a) \*holding a boat as your \*trading stock;
  - (b) using a boat (or holding it) mainly for letting it on hire in the ordinary course of a \*business that you carry on;
  - (c) using a boat (or holding it) mainly for transporting the public or goods for payment in the ordinary course of a business that you carry on;
  - (d) using a boat for a purpose that is essential to the efficient conduct of a business that you carry on.

**Note:** Even if this exception applies to you, you may still have to quarantine losses under Division 35 (deferral of losses from non-commercial business activities).

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 26** Some amounts you cannot deduct, or cannot deduct in full

Section 26-47

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*Exception: fringe benefits*

- (4) The rule in subsection (2) does not apply to so much of an amount you incur in \*providing a \*fringe benefit.

*Modification if you have boat capital gains*

- (5) You reduce a quarantined amount you have for an income year by so much of that amount as is applied under section 118-80 to reduce a \*capital gain you have for the year in relation to a boat. You make this reduction before you deduct an amount under subsection (6).

*Deduction if you have boat business profits*

- (6) You can deduct all or part of your remaining quarantined amount for an income year if your assessable income for the year from activities of a kind referred to in subsection (3) exceeds your deductions for the year relating to those activities. The amount you can deduct is the lesser of that excess and that remaining quarantined amount.
- (7) You reduce your quarantined amount for the year by the amount you deduct. You make this reduction before a reduction under subsection (8).

*Modification if you have exempt income*

- (8) You reduce any remaining quarantined amount you have for an income year by your \*net exempt income for that year (after \*utilising the net exempt income under section 35-15 (about non-commercial business activities) or section 36-10 or 36-15 (about tax losses)).

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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*Modification if you become bankrupt*

- (9) The modification in subsection (10) has effect if:
- (a) in an income year (the **current year**) you become bankrupt or are released from a debt by the operation of an Act relating to bankruptcy; or
  - (b) you became bankrupt before the current year and:
    - (i) the bankruptcy is annulled in the current year under section 74 of the *Bankruptcy Act 1966* because your creditors have accepted a proposal for a composition or scheme of arrangement; and
    - (ii) under the composition or scheme of arrangement, you have been, will be or may be released from some or all of the debts from which you would have been released if you had instead been discharged from the bankruptcy.
- (10) This Act applies to you as if any amount that:
- (a) is a quarantined amount for you for the current year or was a quarantined amount for you for an earlier year; and
  - (b) has not been applied under section 118-80 and that you have not yet deducted;
- were not an amount relating to using or holding boats that you can deduct for the current year or a later year.

**26-50 Expenses for a leisure facility**

- (1) You cannot deduct under this Act a loss or outgoing to the extent you incur it:
- (a) to acquire ownership of a \*leisure facility; or
  - (b) to retain ownership of a leisure facility; or
  - (c) to acquire rights to use a leisure facility; or
  - (d) to retain rights to use a leisure facility; or
  - (e) to use, operate, maintain or repair a leisure facility; or
  - (f) in relation to any obligation associated with your ownership of a leisure facility; or

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 26-50

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(g) in relation to any obligation associated with your rights to use a leisure facility.

However, there are exceptions (see subsections (3), (4) and (8)).

*What is a leisure facility?*

- (2) A **leisure facility** is land, a building, or part of a building or other structure, that is used (or held for use) for holidays or \*recreation.

*Exception—leisure facilities*

- (3) Subsection (1) does not stop you deducting a loss or outgoing for a \*leisure facility if at all times in the income year:
- (a) you hold the leisure facility for sale in the ordinary course of your business of selling leisure facilities; or
  - (b) you use the leisure facility (or hold it for use) mainly to provide it:
    - (i) in the ordinary course of your \*business of providing leisure facilities for payment; or
    - (ii) to produce your assessable income in the nature of rents, lease premiums, licence fees or similar charges; or
    - (iii) for your employees to use; or
    - (iv) for the care of your employees' \*children.

In the case of a company, subparagraphs (b)(iii) and (iv) do not apply to employees who are \*members or directors of the company.

*Exception—part year use of leisure facilities*

- (4) If you use a \*leisure facility (or hold it) as described in subsection (3) at all times during *part* of the income year, then subsection (1) does not stop you deducting so much of the loss or outgoing as is reasonable in the circumstances.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.



*Anti-avoidance—when exceptions do not apply*

- (7) A \*leisure facility is taken not to be used (or held) as described in subsection (3) if:
- (a) apart from this subsection, the leisure facility would be used (or held) in that way because of a \*scheme; and
  - (b) in the Commissioner’s opinion, the scheme would not have been entered into or carried out if this section had not been enacted.

*Exception when you provide a fringe benefit*

- (8) Subsection (1) does not stop you deducting expenditure you incur in \*providing a \*fringe benefit.

**26-52 Bribes to foreign public officials**

- (1) You cannot deduct under this Act a loss or outgoing you incur that is a \*bribe to a foreign public official.
- (2) An amount is a ***bribe to a foreign public official*** to the extent that:
- (a) you incur the amount in, or in connection with:
    - (i) providing a benefit to another person; or
    - (ii) causing a benefit to be provided to another person; or
    - (iii) offering to provide, or promising to provide, a benefit to another person; or
    - (iv) causing an offer of the provision of a benefit, or a promise of the provision of a benefit, to be made to another person; and
  - (b) the benefit is not legitimately due to the other person (see subsection (6)); and
  - (c) you incur the amount with the intention of influencing a \*foreign public official (who may or may not be the other person) in the exercise of the official’s duties as a foreign public official in order to:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 26-52

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- (i) obtain or retain business; or
- (ii) obtain or retain an advantage in the conduct of business that is not legitimately due to you, or another person, as the recipient, or intended recipient, of the advantage in the conduct of business (see subsection (7)).

The benefit may be any advantage and is not limited to property.

- (2A) For the purposes of subsection (2), disregard whether business, or a business advantage, was actually obtained or retained.

*Payments that written law of foreign public official's country requires or permits*

- (3) An amount is not a ***bribe to a foreign public official*** if, assuming the benefit had been provided, and all related acts had been done, in the \*foreign public official's country, a written law of that country would have required or permitted the provision of the benefit.

*Facilitation payments*

- (4) An amount is not a ***bribe to a foreign public official*** if:
- (a) the value of the benefit is of a minor nature; and
  - (b) the amount is incurred for the sole or dominant purpose of expediting or securing the performance of a routine government action of a minor nature.
- (5) For the purposes of this section, a ***routine government action*** is an action of a \*foreign public official that:
- (a) is ordinarily and commonly performed by the official; and
  - (b) is covered by any of the following subparagraphs:
    - (i) granting a permit, licence or other official document that qualifies a person to do business in a foreign country or in a part of a foreign country;
    - (ii) processing government papers such as a visa or work permit;

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

- (iii) providing police protection or mail collection or delivery;
  - (iv) scheduling inspections associated with contract performance or related to the transit of goods;
  - (v) providing telecommunications services, power or water;
  - (vi) loading and unloading cargo;
  - (vii) protecting perishable products, or commodities, from deterioration;
  - (viii) any other action of a similar nature; and
- (c) does not involve a decision about:
- (i) whether to award new business; or
  - (ii) whether to continue existing business with a particular person; or
  - (iii) the terms of new business or existing business; and
- (d) does not involve encouraging a decision about:
- (i) whether to award new business; or
  - (ii) whether to continue existing business with a particular person; or
  - (iii) the terms of new business or existing business.

*Benefit not legitimately due*

- (6) In working out if a benefit is not legitimately due to another person in a particular situation, disregard the following:
- (a) the fact that the benefit may be, or be perceived to be, customary, necessary or required in the situation;
  - (b) the value of the benefit;
  - (c) any official tolerance of the benefit.

*Advantage in the conduct of business that is not legitimately due*

- (7) In working out if an advantage in the conduct of business is not legitimately due in a particular situation, disregard the following:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 26** Some amounts you cannot deduct, or cannot deduct in full

Section 26-53

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- (a) the fact that the advantage may be customary, or perceived to be customary, in the situation;
- (b) the value of the advantage;
- (c) any official tolerance of the advantage.

*Duties of foreign public official*

- (8) The duties of a \*foreign public official are any authorities, duties, functions or powers that:
  - (a) are conferred on the official; or
  - (b) the official holds himself or herself out as having.

**26-53 Bribes to public officials**

- (1) You cannot deduct under this Act a loss or outgoing you incur that is a \*bribe to a public official.
- (2) An amount is a ***bribe to a public official*** to the extent that:
  - (a) you incur the amount in, or in connection with:
    - (i) providing a benefit to another person; or
    - (ii) causing a benefit to be provided to another person; or
    - (iii) offering to provide, or promising to provide, a benefit to another person; or
    - (iv) causing an offer of the provision of a benefit, or a promise of the provision of a benefit, to be made to another person; and
  - (b) the benefit is not legitimately due to the other person (see subsection (3)); and
  - (c) you incur the amount with the intention of influencing a \*public official (who may or may not be the other person) in the exercise of the official's duties as a public official in order to:
    - (i) obtain or retain business; or
    - (ii) obtain or retain an advantage in the conduct of business that is not legitimately due to you, or another person, as

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

the recipient, or intended recipient, of the advantage in the conduct of business (see subsection (4)).

The benefit may be any advantage and is not limited to property.

*Benefit not legitimately due*

- (3) In working out if a benefit is not legitimately due to another person in a particular situation, disregard the following:
- (a) the fact that the benefit may be customary, or perceived to be customary, in the situation;
  - (b) the value of the benefit;
  - (c) any official tolerance of the benefit.

*Advantage in the conduct of business that is not legitimately due*

- (4) In working out if an advantage in the conduct of business is not legitimately due in a particular situation, disregard the following:
- (a) the fact that the advantage may be customary, or perceived to be customary, in the situation;
  - (b) the value of the advantage;
  - (c) any official tolerance of the advantage.

*Duties of public official*

- (5) The duties of a \*public official are any authorities, duties, functions or powers that:
- (a) are conferred on the official; or
  - (b) the official holds himself or herself out as having.

## **26-54 Expenditure relating to illegal activities**

- (1) You cannot deduct under this Act a loss or outgoing to the extent that it was incurred in the furtherance of, or directly in relation to, a physical element of an offence against an \*Australian law of which you have been convicted if the offence was, or could have been, prosecuted on indictment.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

Section 26-55

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- (2) Despite section 170 of the *Income Tax Assessment Act 1936*, the Commissioner may amend your assessment at any time within 4 years after you are convicted of the relevant offence for the purpose of giving effect to subsection (1) of this section.

**26-55 Limit on deductions**

- (1) There is a limit on the total of the amounts you can deduct for the income year under these provisions:
- (a) section 25-50 (which is about payments of pensions, gratuities or retiring allowances) of this Act;
  - (ba) Division 30 (which is about deductions for gifts or contributions) of this Act;
  - (bb) Division 31 (which is about deductions for conservation covenants) of this Act;
  - (d) section 290-150 (which is about deductions for personal superannuation contributions).

Do not include in the total an amount that you could also deduct under another provision of this Act, apart from section 8-10 (which prevents double deductions).

- (2) The limit is worked out by subtracting from your assessable income all your deductions except:
- (a) \*tax losses; and

See Division 36 (which is about tax losses of earlier income years).

- (c) the amount you can deduct for the income year under section 393-5 (which provides for deductions for making \*farm management deposits).

**26-60 Superannuation contributions surcharge**

You cannot deduct under this Act:

- (a) a superannuation contributions surcharge within the meaning of the *Superannuation Contributions Tax (Assessment and Collection) Act 1997*; or

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

- (b) a superannuation contributions surcharge within the meaning of the *Superannuation Contributions Tax (Members of Constitutionally Protected Superannuation Funds) Assessment and Collection Act 1997*.

## **26-68 Loss from disposal of eligible venture capital investments**

### *Partners in VCLPs and ESVCLPs*

- (1) You cannot deduct under this Act your share of a loss made from the disposal or other realisation of an \*eligible venture capital investment if:
- (a) it is made by a \*VCLP, or an \*ESVCLP, that is \*unconditionally registered; and
  - (b) were that disposal or other realisation to be a \*disposal of a \*CGT asset, your share of any \*capital gain or \*capital loss would be disregarded under section 118-405 or 118-407.

### *Partners in AFOFs*

- (2) You cannot deduct under this Act your share of a loss made from the disposal or other realisation of an \*eligible venture capital investment if:
- (a) it is made by:
    - (i) an \*AFOF that is \*unconditionally registered; or
    - (ii) a \*VCLP, or an \*ESVCLP, that is unconditionally registered and in which an AFOF that is \*unconditionally registered is a partner; and
  - (b) were that disposal or other realisation to be a \*disposal of a \*CGT asset, your share of any \*capital gain or \*capital loss would be disregarded under section 118-410.

### *Eligible venture capital investors*

- (3) You cannot deduct under this Act a loss made from the disposal or other realisation of an \*eligible venture capital investment if:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 26** Some amounts you cannot deduct, or cannot deduct in full

Section 26-70

---

- (a) you are an \*eligible venture capital investor; and
- (b) were that disposal or other realisation to be a \*disposal of a \*CGT asset, any \*capital gain or \*capital loss would be disregarded under section 118-415.

**26-70 Loss from disposal of venture capital equity**

You cannot deduct under this Act a loss made from the disposal or other realisation of \*venture capital equity in a \*resident investment vehicle if:

- (a) it is made by a \*venture capital entity or a \*limited partnership referred to in subsection 118-515(2); and
- (b) if that disposal or other realisation were a \*disposal of a \*CGT asset, any \*capital gain or \*capital loss would be disregarded under Subdivision 118-G.

**26-75 Excess non-concessional contributions tax cannot be deducted**

You cannot deduct under this Act an amount of \*excess non-concessional contributions tax that you pay.

**26-80 Financing costs on loans to pay superannuation contribution**

- (1) You can only deduct under this Act a \*financing cost connected with a contribution you make to a \*superannuation plan if you can deduct the contribution under Subdivision 290-B.
- (2) A *financing cost* connected with a contribution is expenditure incurred to the extent that it relates to obtaining finance to make the contribution, including:
  - (a) interest, and payments in the nature of interest; and
  - (b) expenses of borrowing.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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### **26-85 Borrowing costs on loans to pay life insurance premiums**

- (1) You can only deduct under this Act interest on, or other expenses associated with, money you borrow to pay a premium for a \*life insurance policy if:
  - (a) the \*risk component of the premium received by the insurer is the entire amount of the premium; and
  - (b) each amount the insurer is liable to pay under the policy would be included in your assessable income if it were paid.
- (2) The **risk component** of a premium for a \*life insurance policy means the amount of the premium worked out on the basis specified in the regulations.

### **26-90 Superannuation supervisory levy**

You cannot deduct under this Act so much of a levy imposed by the *Superannuation (Self Managed Superannuation Funds) Supervisory Levy Imposition Act 1991* as represents the late lodgment amount (within the meaning of section 6 of that Act).

### **26-95 Superannuation guarantee charge**

- (1) You cannot deduct under this Act a charge imposed by the *Superannuation Guarantee Charge Act 1992*.
- (2) However, if the charge relates to a \*superannuation guarantee shortfall for which you qualify for an amnesty under section 74 of the *Superannuation Guarantee (Administration) Act 1992*, this section does not apply to a payment that:
  - (a) is made, under that Act, during the amnesty period (within the meaning of subsection 74(3) of that Act); and
  - (b) is made in relation to the charge, whether or not the Commissioner applies the payment to satisfy your liability to pay the charge;

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 26** Some amounts you cannot deduct, or cannot deduct in full

**Section 26-96**

---

except to the extent that the payment, when taken together with any other such payments made in relation to the charge, exceeds the amount paid as a result of a disclosure to which paragraph 74(1)(a) of that Act applies in relation to the shortfall.

**26-96 Laminaria and Corallina decommissioning levy cannot be deducted**

You cannot deduct under this Act an amount of \*Laminaria and Corallina decommissioning levy that you pay.

**26-97 National Disability Insurance Scheme expenditure**

A participant (within the meaning of the *National Disability Insurance Scheme Act 2013*) cannot deduct under this Act a loss or outgoing to the extent the loss or outgoing is funded (including funded by way of reimbursement) by an \*NDIS amount the participant \*derives.

**26-98 Division 293 tax cannot be deducted**

You cannot deduct under this Act any of the following:

- (a) an amount of \*Division 293 tax that you pay;
- (b) an amount of \*debt account discharge liability that you pay.

**26-99 Excess transfer balance tax cannot be deducted**

You cannot deduct under this Act an amount of \*excess transfer balance tax that you pay.

**26-100 Expenditure attributable to water infrastructure improvement payments**

- (1) You cannot deduct under this Act \*SRWUIP expenditure if the matching \*SRWUIP payment is, or is reasonably expected to be,

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

\*non-assessable non-exempt income (whether for you or for another entity) under section 59-65.

- (2) **SRWUIP expenditure**, in respect of a \*SRWUIP program, is expenditure that:
- (a) you incur that satisfies an obligation under an \*arrangement under the program; and
  - (b) is, or is reasonably expected to be, matched by a \*SRWUIP payment in respect of the program.
- (3) However, treat the expenditure as if it had never been **SRWUIP expenditure** if it is no longer reasonable to expect that the expenditure will be matched by a \*SRWUIP payment in respect of the program.

## 26-102 Expenses associated with holding vacant land

### *Limit on deduction*

- (1) If:
- (a) at a particular time, you incur a loss or outgoing relating to holding land (including interest or any other ongoing costs of borrowing to acquire the land); and
  - (b) at the earlier of the following (the **critical time**):
    - (i) that time;
    - (ii) if you have ceased to hold the land—the time just before you ceased to hold the land;  
there is no substantial and permanent structure in use or available for use on the land having a purpose that is independent of, and not incidental to, the purpose of any other structure or proposed structure;
- you can only deduct under this Act the loss or outgoing to the extent that the land is in use, or available for use, in carrying on a business covered by subsection (2) at the time applying under subsection (3).

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 26** Some amounts you cannot deduct, or cannot deduct in full

**Section 26-102**

---

Note 1: The ordinary meaning of structure includes a building and anything else built or constructed.

Note 2: The land need not be all of the land under a land title.

- (2) A \*business is covered by this subsection if the business is carried on for the purpose of gaining or producing the assessable income of one or more of the following entities:
- (a) you;
  - (b) your \*affiliate, or an entity of which you are an affiliate;
  - (c) if you are an individual—your \*spouse, or any of your \*children who is under 18 years of age;
  - (d) an entity \*connected with you.
- (3) The time applying under this subsection is the critical time unless:
- (a) the business referred to in subsection (1) ceases before the critical time; and
  - (b) the loss or outgoing is otherwise deductible because of the use or availability for use of the land at an earlier time or during an earlier period; and
  - (c) at that earlier time or during that earlier period the land was in use or available for use in carrying on that business;
- in which case the time applying under this subsection is that earlier time or the end of that earlier period.

*Disregard certain residential premises if not rented etc.*

- (4) For the purposes of paragraph (1)(b), treat a building as not being a substantial and permanent structure if it is \*residential premises constructed, or \*substantially renovated, while you hold the land unless:
- (a) the residential premises are lawfully able to be occupied; and
  - (b) the residential premises are:
    - (i) leased, hired or licensed; or
    - (ii) available for lease, hire or licence.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Note: If all of the structures on the land are disregarded under this subsection, then subsection (1) may deny you a deduction for a loss or outgoing relating to the land.

*Exception—kind of entity*

- (5) Subsection (1) does not stop you deducting a loss or outgoing if, at any time during the income year in which the loss or outgoing is incurred, you are:
- (a) a \*corporate tax entity; or
  - (b) a \*superannuation plan that is not a \*self managed superannuation fund; or
  - (c) a \*managed investment trust; or
  - (d) a public unit trust (within the meaning of section 102P of the *Income Tax Assessment Act 1936*); or
  - (e) a unit trust or partnership, if each \*member of the trust or partnership is covered by a paragraph of this subsection at that time during the income year.

*Exception—structures affected by natural disasters or other exceptional circumstances*

- (6) Subsection (1) does not stop you deducting a loss or outgoing relating to holding land if:
- (a) had an earlier time been the critical time (see paragraph (1)(b)), paragraph (1)(b) would not have applied to you for the land because of the existence at that earlier time of a substantial and permanent structure on the land; and
  - (b) after that earlier time, paragraph (1)(b):
    - (i) began to apply to you for the land wholly or mainly because of a circumstance affecting that structure; and
    - (ii) continued to do so at the critical time; and
  - (c) the circumstance was exceptional and beyond the reasonable control of you, and of all the entities referred to in paragraphs (2)(b), (c) and (d); and
  - (d) the critical time happened before:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 26** Some amounts you cannot deduct, or cannot deduct in full

**Section 26-102**

---

- (i) the third anniversary of the time paragraph (1)(b) began to apply to you for the land as described in subparagraph (b)(i) of this subsection; or
  - (ii) such later time as the Commissioner allows.
- (7) If subsection (6) applies to you and you deduct the loss or outgoing, you must keep written records of:
- (a) the circumstance; and
  - (b) the circumstance's effect on the affected structure;
- until the fifth anniversary of the end of the income year in which you incurred the loss or outgoing.

Note: There is an administrative penalty if you fail to keep these records (see section 288-25 in Schedule 1 to the *Taxation Administration Act 1953*).

*Exception—land held by primary producers*

- (8) Subsection (1) does not stop you deducting a loss or outgoing relating to holding land if, at the critical time (see paragraph (1)(b)):
- (a) the land is under lease, hire or licence to another entity; and
  - (b) you are, or an entity referred to in paragraph (2)(b), (c) or (d) is, carrying on a \*primary production business; and
  - (c) the land does not contain \*residential premises; and
  - (d) residential premises are not being constructed on the land.

*Exception—land in use or available for use in carrying on a business*

- (9) Subsection (1) does not stop you deducting a loss or outgoing relating to holding land if, at the critical time (see paragraph (1)(b)):
- (a) the land is under lease, hire or licence to another entity as a result of a dealing at \*arm's length; and
  - (b) the land is in use, or available for use, in carrying on a \*business; and

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

- (c) the land does not contain \*residential premises; and
- (d) residential premises are not being constructed on the land.

### **26-105 Non-compliant payments for work and services**

*No deduction if amount not withheld or Commissioner not notified*

- (1) You cannot deduct under this Act a payment if:
  - (a) any of the following provisions in Schedule 1 to the *Taxation Administration Act 1953* require you to withhold an amount from the payment:
    - (i) section 12-35 (about payments to employees);
    - (ii) section 12-40 (about payments to directors);
    - (iii) section 12-47 (about payments to \*religious practitioners);
    - (iv) section 12-60 (about payments under labour hire and certain other arrangements);
    - (v) in relation to a \*supply, other than a supply referred to in subsection (3) of this section—section 12-190 (about quoting of \*ABN); and
  - (b) either:
    - (i) you fail to withhold an amount (whether or not that amount is the amount required to be withheld as mentioned in paragraph (a)) from the payment; or
    - (ii) after withholding the amount from the payment, you fail to comply, or purportedly comply, with section 16-150 or 389-5 (as the case requires) in that Schedule, in relation to the amount.
- (2) You cannot deduct under this Act a \*non-cash benefit if:
  - (a) section 14-5 in Schedule 1 to the *Taxation Administration Act 1953* requires you to pay an amount to the Commissioner before providing the benefit, because of any of the following provisions in that Schedule:
    - (i) section 12-35 (about payments to employees);

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 26** Some amounts you cannot deduct, or cannot deduct in full

**Section 26-105**

---

- (ii) section 12-40 (about payments to directors);
  - (iii) section 12-47 (about payments to \*religious practitioners);
  - (iv) section 12-60 (about payments under labour hire and certain other arrangements);
  - (v) in relation to a \*supply, other than a supply referred to in subsection (3) of this section—section 12-190 (about quoting of \*ABN); and
- (b) you fail to comply, or purportedly comply, with section 16-150 in that Schedule in relation to the amount.
- (3) For the purposes of subparagraphs (1)(a)(v) and (2)(a)(v), the supplies are supplies that are wholly a \*supply of either or both of the following:
- (a) a supply of goods (within the meaning of section 195-1 of the \*GST Act);
  - (b) a supply of real property (within the meaning of that section of that Act).

*Exception—nil amounts*

- (4) Subsection (1) or (2) does not apply if the amount required to be withheld, or the amount required to be paid to the Commissioner, (as the case requires) is a nil amount.

*Exception—ABN quoted*

- (5) Subsection (1) does not apply in relation to an amount required to be withheld from a payment under section 12-35 in Schedule 1 to the *Taxation Administration Act 1953*, if:
- (a) when the payment is made, you have been given:
    - (i) an \*invoice or some other document that relates to the payment that \*quotes the individual's \*ABN; or
    - (ii) if the payment relates to a \*supply that has been made through an \*agent—an invoice or some other document

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.



- that relates to the payment that quotes the agent's ABN;  
or
- (b) when the payment is made:
    - (i) you have been given an invoice or some other document that relates to the payment that purports to quote the individual's ABN; and
    - (ii) the individual does not have an ABN, or the invoice or other document does not in fact quote the individual's ABN; and
    - (iii) you have no reasonable grounds to believe that the individual does not have an ABN, or that the invoice or other document does not quote the individual's ABN; or
  - (c) if the payment relates to a supply that has been made through an agent—when the payment is made:
    - (i) you have been given an invoice or some other document that relates to the payment that purports to quote the agent's ABN; and
    - (ii) the agent does not have an ABN, or the invoice or other document does not in fact quote the agent's ABN; and
    - (iii) you have no reasonable grounds to believe that the agent does not have an ABN, or that the invoice or other document does not quote the agent's ABN.
- (6) Subsection (2) does not apply in relation to a \*non-cash benefit that requires an amount to be paid to the Commissioner, if:
- (a) when the non-cash benefit is provided, you have been given:
    - (i) an \*invoice or some other document that relates to the non-cash benefit that \*quotes the individual's \*ABN; or
    - (ii) if the non-cash benefit relates to a \*supply that has been made through an \*agent—an invoice or some other document that relates to the non-cash benefit that quotes the agent's ABN; or
  - (b) when the non-cash benefit is provided:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Section 26-105**

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- (i) you have been given an invoice or some other document that relates to the non-cash benefit that purports to quote the individual's ABN; and
  - (ii) the individual does not have an ABN, or the invoice or other document does not in fact quote the individual's ABN; and
  - (iii) you have no reasonable grounds to believe that the individual does not have an ABN, or that the invoice or other document does not quote the individual's ABN; or
- (c) if the non-cash benefit relates to a supply that has been made through an agent—when the non-cash benefit is provided:
- (i) you have been given an invoice or some other document that relates to the non-cash benefit that purports to quote the agent's ABN; and
  - (ii) the agent does not have an ABN, or the invoice or other document does not in fact quote the agent's ABN; and
  - (iii) you have no reasonable grounds to believe that the agent does not have an ABN, or that the invoice or other document does not quote the agent's ABN.

*Exception—voluntarily tell the Commissioner about a mistake*

- (7) Subsection (1) does not apply if, before the Commissioner tells you that an examination is to be made of your affairs relating to a \*taxation law for a relevant period, you voluntarily tell the Commissioner, in the \*approved form, that you have failed to:
- (a) withhold an amount; or
  - (b) comply with section 16-150 or 389-5 (as the case requires) in Schedule 1 to the *Taxation Administration Act 1953* in relation to the amount.
- (8) Subsection (2) does not apply if, before the Commissioner tells you that an examination is to be made of your affairs relating to a \*taxation law for a relevant period, you voluntarily tell the Commissioner, in the \*approved form, that you have failed to

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

comply with section 16-150 in Schedule 1 to the *Taxation Administration Act 1953* in relation to the amount.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 27-1

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## **Division 27—Effect of input tax credits etc. on deductions**

### **Table of Subdivisions**

	Guide to Division 27
27-A	General
27-B	Effect of input tax credits etc. on capital allowances

### **Guide to Division 27**

#### **27-1 What this Division is about**

This Division sets out the effect of the GST in working out deductions. Generally speaking, input tax credits, GST and adjustments under the GST Act are disregarded.

#### **Subdivision 27-A—General**

##### **Table of sections**

27-5	Input tax credits and decreasing adjustments
27-10	Certain increasing adjustments
27-15	GST payments
27-20	Elements in calculation of amounts
27-25	GST groups and GST joint ventures
27-35	Certain sections not to apply to certain assets or expenditure

#### **27-5 Input tax credits and decreasing adjustments**

You cannot deduct under this Act a loss or outgoing you incur, to the extent that the loss or outgoing includes an amount relating to an \*input tax credit to which you are entitled or a \*decreasing adjustment that you have.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

### **27-10 Certain increasing adjustments**

- (1) You can deduct an amount of an \*increasing adjustment that arises under Division 129 of the \*GST Act.
- (2) However, you cannot deduct the amount to the extent (if any) that the adjustment arises from an increase in the extent to which the activity giving rise to the adjustment is of a private or domestic nature.
- (3) If:
  - (a) you have an \*increasing adjustment under Division 138 of the \*GST Act in respect of an asset as a result of the cancellation of your registration under Part 2-5 of the GST Act; and
  - (b) immediately after the cancellation, you held the asset for the purpose of gaining or producing assessable income;you can deduct the amount of the increasing adjustment.
- (4) However, you cannot deduct an amount under subsection (1) or (3) to the extent that, because it becomes a component of a \*net input tax credit, a reduction is made under section 103-30 (reduction of cost base etc. by net input tax credits).

### **27-15 GST payments**

- (1) You cannot deduct under this Act a loss or outgoing consisting of a payment under Division 33 of the \*GST Act.
- (2) This section does not apply to the payment:
  - (a) to the extent (if any) that the \*net amount to which the payment relates was increased under section 21-5 of the \*Wine Tax Act (which allows for such increases to take account of wine equalisation tax); and
  - (b) to the extent (if any) that the \*net amount was increased under section 13-5 of the \*Luxury Car Tax Act (which allows for such increases to take account of luxury car tax); and

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 27** Effect of input tax credits etc. on deductions

**Section 27-20**

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- (c) to the extent (if any) that the \*net amount was increased under paragraph 13-10(1)(a) of the Luxury Car Tax Act (which allows for such alterations to take account of increasing luxury car tax adjustments under that Act).
- (3) This section does not apply to the payment of \*assessed GST (under section 33-15 of the \*GST Act) on a \*taxable importation that:
- (a) was not a \*creditable importation; or
  - (b) was \*partly creditable;
- but only to the extent that that payment of assessed GST exceeds the \*input tax credit (if any) to which you are entitled for that importation.

**27-20 Elements in calculation of amounts**

In calculating an amount that you may be able to deduct:

- (a) an element in the calculation that is an amount paid or payable is treated as not including an amount equal to any \*input tax credit for an \*acquisition related to the amount paid or payable, or any \*decreasing adjustment related to that amount; and
- (b) an element in the calculation that is an amount received or receivable is treated as not including an amount equal to any \*GST payable on a \*taxable supply related to the amount received or receivable, or any \*increasing adjustment related to that amount.

**27-25 GST groups and GST joint ventures**

- (1) A \*member of a \*GST group is to be treated, for the purposes of this Division, as if Subdivision 48-B of the \*GST Act (other than subsections 48-45(3) and (4)) did not apply to that member.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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- (2) A \*participant in a \*GST joint venture is to be treated, for the purposes of this Division, as if Subdivision 51-B of the \*GST Act did not apply to that participant.

### **27-35 Certain sections not to apply to certain assets or expenditure**

Sections 27-5, 27-10, 27-15 and 27-20 do not apply to assets, or to expenditure, for which you can deduct amounts under Division 40 or 328.

Note: See instead Subdivision 27-B.

### **Subdivision 27-B—Effect of input tax credits etc. on capital allowances**

#### **Table of sections**

27-80	Cost or opening adjustable value of depreciating assets reduced for input tax credits
27-85	Cost or opening adjustable value of depreciating assets reduced: decreasing adjustments
27-87	Certain decreasing adjustments included in assessable income
27-90	Cost or opening adjustable value of depreciating assets increased: increasing adjustments
27-92	Certain increasing adjustments can be deducted
27-95	Balancing adjustment events
27-100	Pooling
27-105	Other Division 40 expenditure
27-110	Input tax credit etc. relating to 2 or more things

### **27-80 Cost or opening adjustable value of depreciating assets reduced for input tax credits**

- (1) A \*depreciating asset's \*cost is reduced if:
- (a) an entity's acquisition or importation of the asset constitutes a \*creditable acquisition or \*creditable importation; and
  - (b) the entity is or becomes entitled to an \*input tax credit for the acquisition or importation; and

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 27-80

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- (c) the entity can deduct amounts for the asset under Division 40 or 328.

The reduction is the amount of the input tax credit.

- (2) A \*depreciating asset's \*cost is also reduced if:
- (a) the entity that \*holds the asset incurs expenditure that is included in the second element of the asset's \*cost for the income year in which the asset's \*start time occurs; and
  - (b) the entity is or becomes entitled to an \*input tax credit for the \*creditable acquisition or \*creditable importation to which the expenditure relates; and
  - (c) the entity can deduct amounts for the asset under Division 40 or 328.

The reduction is the amount of the input tax credit.

- (3) However, subsections (1) and (2) do not apply if the \*cost of the \*depreciating asset is modified under Division 40 to be its \*market value.

- (3A) A \*depreciating asset's \*opening adjustable value for an income year and its \*cost is reduced if:
- (a) an entity's acquisition or importation of the asset constitutes a \*creditable acquisition or \*creditable importation; and
  - (b) the entity is or becomes entitled to an \*input tax credit in an income year (the *credit year*) for the acquisition or importation and the credit year occurs after the income year in which the acquisition or importation occurred; and
  - (c) the income year is after the one in which the asset's \*start time occurs; and
  - (d) the entity can deduct amounts for the asset under Division 40 or 328.

The reduction is the amount of the input tax credit.

- (4) A \*depreciating asset's \*opening adjustable value for an income year and its \*cost is reduced if:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.



- (a) the entity that \*holds the asset incurs expenditure that is included in the second element of the asset's \*cost for that income year; and
- (b) that income year is after the one in which the asset's \*start time occurs; and
- (c) the entity is or becomes entitled to an \*input tax credit for the \*creditable acquisition or \*creditable importation to which the expenditure relates for the income year in which the expenditure was incurred; and
- (d) the entity can deduct amounts for the asset under Division 40 or 328.

The reduction is the amount of the input tax credit.

- (5) If the reduction under subsection (2), (3A) or (4) is more than:
  - (a) for a subsection (2) case—the \*depreciating asset's \*cost; or
  - (b) for a subsection (3A) or (4) case—the depreciating asset's \*opening adjustable value;the excess is included in the entity's assessable income unless the entity is an \*exempt entity.

*Exception: pooling*

- (6) This section does not apply to:
  - (a) a depreciating asset allocated to a low-value pool or a pool under Division 328 for or in the \*current year; or
  - (b) \*in-house software if expenditure on the software is allocated to a software development pool for the current year; or
  - (c) a project pool.

### **27-85 Cost or opening adjustable value of depreciating assets reduced: decreasing adjustments**

- (1) This section applies to an entity if:
  - (a) the entity can deduct amounts for a \*depreciating asset under Division 40 or 328; and

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 27** Effect of input tax credits etc. on deductions

**Section 27-87**

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(b) the entity has a \*decreasing adjustment in an income year that relates directly or indirectly to the asset.

(1A) However, this section does not apply to a \*decreasing adjustment that arises under Division 129 or 132 of the \*GST Act.

Note: See instead section 27-87.

(2) The asset's \*cost is reduced by an amount equal to the \*decreasing adjustment if the adjustment arises in the income year in which the asset's \*start time occurs.

(3) The asset's \*opening adjustable value for an income year and its \*cost is reduced by an amount equal to the \*decreasing adjustment if the adjustment arises in that year and that year is after the one in which the asset's \*start time occurs.

(4) If the reduction under subsection (2) or (3) is more than:

- (a) for a subsection (2) case—the \*depreciating asset's \*cost; or
- (b) for a subsection (3) case—the depreciating asset's \*opening adjustable value;

the excess is included in the entity's assessable income unless the entity is an \*exempt entity.

*Exception: pooling*

(5) This section does not apply to:

- (a) a depreciating asset allocated to a low-value pool or a pool under Division 328 for or in the \*current year; or
- (b) \*in-house software if expenditure on the software is allocated to a software development pool for the current year; or
- (c) a project pool.

**27-87 Certain decreasing adjustments included in assessable income**

(1) This section applies to an entity if:

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

- (a) the entity can deduct amounts for a \*depreciating asset under Division 40 or 328; and
  - (b) the entity has a \*decreasing adjustment that arises under Division 129 or 132 of the \*GST Act in an income year that relates directly or indirectly to the asset; and
  - (c) section 27-95 does not apply to the entity in relation to the asset.
- (2) The amount of the \*decreasing adjustment is included in the entity's assessable income for the income year unless the entity is an \*exempt entity.

**27-90 Cost or opening adjustable value of depreciating assets increased: increasing adjustments**

- (1) This section applies to an entity if:
- (a) the entity can deduct amounts for a \*depreciating asset under Division 40 or 328; and
  - (b) the entity has an \*increasing adjustment in an income year that relates directly or indirectly to the asset.
- (1A) However, this section does not apply to an \*increasing adjustment that arises under Division 129 or 132 of the \*GST Act.
- Note: See instead section 27-92.
- (2) The asset's \*cost is increased by an amount equal to the \*increasing adjustment if the adjustment arises in the income year in which the asset's \*start time occurs.
- (3) The asset's \*opening adjustable value for an income year and its \*cost is increased by an amount equal to the \*increasing adjustment if the adjustment arises in that year and that year is after the one in which the asset's \*start time occurs.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 27-92

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*Exception: pooling*

- (4) This section does not apply to:
- (a) a depreciating asset allocated to a low-value pool or a pool under Division 328 for or in the \*current year; or
  - (b) \*in-house software if expenditure on the software is allocated to a software development pool for the current year; or
  - (c) a project pool.

**27-92 Certain increasing adjustments can be deducted**

- (1) This section applies to an entity if:
- (a) the entity can deduct amounts for a \*depreciating asset under Division 40 or 328; and
  - (b) the entity has an \*increasing adjustment that arises under Division 129 or 132 of the \*GST Act in an income year that relates directly or indirectly to the asset.
- (2) The entity can deduct the amount of the \*increasing adjustment for the income year.
- (3) However, the entity cannot deduct the amount to the extent (if any) that the adjustment arises from an increase in the extent to which the activity giving rise to the adjustment is of a private or domestic nature.

**27-95 Balancing adjustment events**

- (1) The \*termination value of a \*depreciating asset is reduced if the relevant \*balancing adjustment event is a \*taxable supply. The reduction is an amount equal to the \*GST payable on the supply.
- (2) However, subsection (1) does not apply if the \*termination value of the \*depreciating asset is modified under Division 40 to be its \*market value.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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- (3) The \*termination value of a \*depreciating asset is increased if the entity that \*held the asset has a \*decreasing adjustment that relates directly or indirectly to that \*taxable supply in the income year in which the \*balancing adjustment event occurred. The increase is the amount of the decreasing adjustment.
- (4) The \*termination value of a \*depreciating asset is decreased if the entity that \*held the asset has an \*increasing adjustment that relates directly or indirectly to that \*taxable supply in the income year in which the \*balancing adjustment event occurred. The decrease is the amount of the increasing adjustment.
- (5) An amount is included in the assessable income of the entity that \*held the asset if the entity has a \*decreasing adjustment that relates directly or indirectly to that \*taxable supply in a later income year. The amount included is the amount of the decreasing adjustment.
- (6) The entity that \*held the asset can deduct an amount if the entity has an \*increasing adjustment that relates directly or indirectly to that \*taxable supply in a later income year. The amount it can deduct is the amount of the increasing adjustment.

### **27-100 Pooling**

- (1) This section contains special rules for expenditure (the *pooled expenditure*) incurred by an entity:
  - (a) on a \*depreciating asset allocated to a low-value pool; or
  - (b) on a depreciating asset allocated to a pool under Division 328 for or in an income year; or
  - (c) on \*in-house software if the expenditure on the software is allocated to a software development pool; and
  - (d) on \*project amounts if the amounts are allocated to a project pool.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 27-100

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*Reduction to pools etc.*

- (2) There is a reduction under subsection (3) or (5) if:
- (a) the pooled expenditure relates directly or indirectly to a \*creditable acquisition or \*creditable importation; and
  - (b) the entity is or becomes entitled to an \*input tax credit in an income year (the *credit year*) for the acquisition or importation and the credit year occurs after the income year in which the acquisition or importation occurred.
- (2A) There is a reduction under subsection (4) if:
- (a) the pooled expenditure relates directly or indirectly to a \*creditable acquisition or \*creditable importation; and
  - (b) the entity is or becomes entitled to an \*input tax credit in an income year (the *credit year*) for the acquisition or importation.

*Reduced cost of assets allocated to a pool*

- (2B) A \*depreciating asset's \*cost is reduced if:
- (a) an entity's acquisition or importation of the asset constitutes a \*creditable acquisition or \*creditable importation; and
  - (b) the entity is or becomes entitled to an \*input tax credit for the acquisition or importation and the income year in which the acquisition or importation occurred is the same as the one in which the input tax credit arose; and
  - (c) the asset is allocated to a low-value pool or a pool under Division 328 for or in that year.

The reduction is the amount of the input tax credit.

*Low-value pools*

- (3) For a low-value pool, the \*closing pool balance of the pool for:
- (a) if the credit year is later than the first income year for which \*depreciating assets were allocated to the pool—the income year before the credit year; or

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

- (b) if the credit year is the first income year for which  
\*depreciating assets were allocated to the pool—the credit  
year;  
is reduced by an amount equal to the input tax credit.

*Software development pools and project pools*

- (4) For a software development pool or a project pool, the expenditure  
in the pool for the credit year, or the \*pool value for the credit year,  
is reduced by an amount equal to the \*input tax credit.

*Small business pools*

- (5) For a pool under Division 328, the \*opening pool balance of the  
pool for the credit year is reduced by an amount equal to the input  
tax credit.

*No reduction if market value*

- (5A) However, there is no reduction to the \*cost of a \*depreciating asset  
if its cost is modified under Division 40 to be its \*market value.

*Second element of cost*

- (6) There is a reduction under subsection (7) if:
- (a) the entity incurs expenditure in an income year (also the  
**credit year**) that is included in the second element of the  
\*cost of a \*depreciating asset allocated to a low-value pool or  
a pool under Division 328 for or in the credit year; and
  - (b) the entity is or becomes entitled, after the credit year, to an  
\*input tax credit for the expenditure.
- (7) An amount equal to the amount of the \*input tax credit is applied in  
reduction of:
- (a) for a low-value pool:
    - (i) if the credit year is later than the first income year for  
which \*depreciating assets were allocated to the pool—

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 27-100

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- the \*closing pool balance of the pool for the income year before the credit year; or
- (ii) if the credit year is the first income year for which \*depreciating assets were allocated to the pool—the \*closing pool balance of the pool for the credit year; or
- (b) for a pool under Division 328—the \*opening pool balance of the pool for the credit year.
- (7A) There is a reduction to an amount of expenditure included in the second element of the \*cost of a \*depreciating asset if:
- (a) the asset is allocated to a low-value pool or a pool under Division 328 for or in the income year in which the expenditure was incurred; and
- (b) the entity that incurred the expenditure is or becomes entitled to an \*input tax credit for the expenditure; and
- (c) the entitlement arises in the income year in which the expenditure was incurred.

The reduction is the amount of the input tax credit.

*Increasing adjustments*

- (8) There is an increase under subsection (9) if the entity has an \*increasing adjustment (except one that arises under Division 129 or 132 of the \*GST Act) in an income year (the ***adjustment year***) that relates directly or indirectly to a \*creditable acquisition or \*creditable importation to which the pooled expenditure relates.

Note: For an increasing adjustment that arises under Division 129 or 132 of the GST Act, see section 27-92.

- (9) An amount equal to the amount of that \*increasing adjustment is added to:
- (a) for a low-value pool:
- (i) if the adjustment year is later than the first income year for which \*depreciating assets were allocated to the

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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- pool—the \*closing pool balance of the pool for the income year before the adjustment year; or
- (ii) if the adjustment year is the first income year for which \*depreciating assets were allocated to the pool—the \*closing pool balance of the pool for the adjustment year; or
- (b) for a pool under Division 328—the \*opening pool balance of the pool for the adjustment year; or
- (c) for \*in-house software—the amount of expenditure allocated to the software development pool for the adjustment year; or
- (d) for a project pool—the \*pool value for the adjustment year.

*Decreasing adjustments*

- (10) There is a decrease under subsection (11) if the entity has a \*decreasing adjustment (except one that arises under Division 129 or 132 of the \*GST Act) in an income year (also the **adjustment year**) that relates directly or indirectly to a \*creditable acquisition or \*creditable importation to which the pooled expenditure relates.

Note: For a decreasing adjustment that arises under Division 129 or 132 of the GST Act, see section 27-87.

- (11) An amount equal to the amount of the \*decreasing adjustment is applied in reduction of:
- (a) for a low-value pool:
- (i) if the adjustment year is later than the first income year for which \*depreciating assets were allocated to the pool—the \*closing pool balance of the pool for the income year before the adjustment year; or
- (ii) if the adjustment year is the first income year for which \*depreciating assets were allocated to the pool—the \*closing pool balance of the pool for the adjustment year; or
- (b) for a pool under Division 328—the \*opening pool balance of the pool for the adjustment year; or

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Section 27-105**

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- (c) for \*in-house software—the amount of expenditure allocated to the software development pool for the adjustment year; or
  - (d) for a project pool—the \*pool value for the adjustment year.
- (12) If the amount available for reduction under subsection (11) is more than the amount referred to in paragraph (11)(a), (b), (c) or (d) (whichever is applicable), the excess is included in the entity's assessable income unless the entity is an \*exempt entity.

**27-105 Other Division 40 expenditure**

- (1) This section applies to expenditure for which an entity can deduct amounts under Division 40 (but not under Subdivision 40-B or 40-E, or Subdivision 40-I to the extent that that Subdivision relates to project pools).
- (2) The amount of the expenditure is reduced if the entity is or becomes entitled to an \*input tax credit for a \*creditable acquisition or \*creditable importation to which the expenditure directly or indirectly relates. The reduction is the amount of the input tax credit that relates to that expenditure.
- (3) If the entity has a \*decreasing adjustment in an income year that relates directly or indirectly to the expenditure, an amount equal to the decreasing adjustment is included in the entity's assessable income for that income year.
- (4) If the entity has an \*increasing adjustment in an income year that relates directly or indirectly to the expenditure, the entity can deduct an amount equal to the increasing adjustment for that income year.
- (5) If the entity is a partnership and partners in that partnership can deduct amounts under Division 40 because section 40-570 or 40-665 applies, an amount equal to the \*input tax credit, the \*decreasing adjustment or the \*increasing adjustment is

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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apportioned to each of the partners as set out in subsection 40-570(2) or 40-665(2).

(6) However, this section does not apply to an \*exempt entity.

**27-110 Input tax credit etc. relating to 2 or more things**

This Subdivision applies to an \*input tax credit, or an \*increasing adjustment or \*decreasing adjustment, that relates directly or indirectly to 2 or more things of which at least one is a \*depreciating asset as if a reasonable proportion of the input tax credit or adjustment related directly or indirectly to each of those depreciating assets and each of those other things.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 28-1

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## **Division 28—Car expenses**

### **Table of Subdivisions**

	Guide to Division 28
28-A	Deductions for car expenses
28-B	Choosing which method to use
28-C	The “cents per kilometre” method
28-F	The “log book” method
28-G	Keeping a log book
28-H	Odometer records for a period
28-I	Retaining the log book and odometer records
28-J	Situations where you cannot use, or do not need to use, one of the 2 methods

### **Guide to Division 28**

#### **28-1 What this Division is about**

This Division sets out the rules for working out deductions for car expenses if you own or lease a car or hire a car under a hire purchase agreement.

### **Table of sections**

28-5	Map of this Division
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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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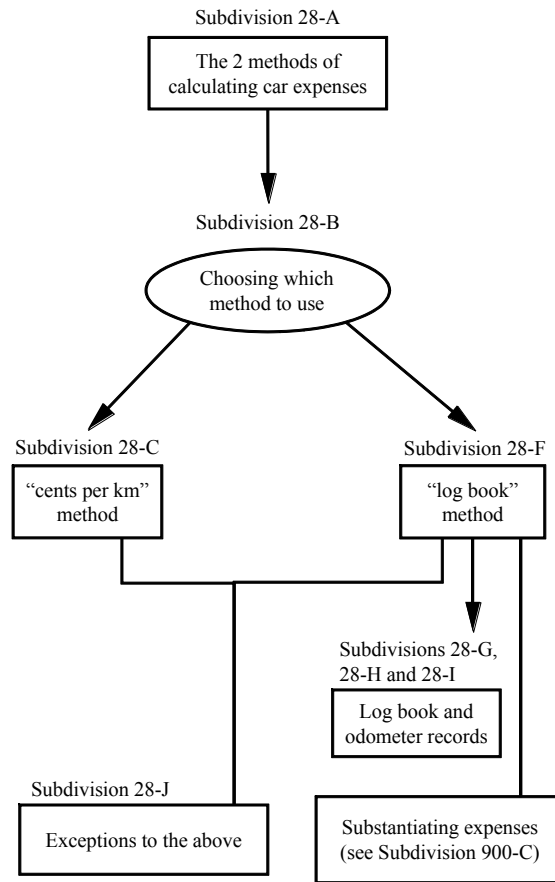
## 28-5 Map of this Division

*Section 28-12 contains the basic operative provision.*

*Choosing the best method is up to you. Hence it is important to understand the methods and how they differ.*

*The “log book” method is more complicated because it involves further Subdivisions about log books and odometer records.*

*The exceptions cover unusual cases which will not apply to most taxpayers.*



## Subdivision 28-A—Deductions for car expenses

### Table of sections

28-10	Application of Division 28
28-12	Car expenses
28-13	Meaning of <i>car expense</i>

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

Section 28-10

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**28-10 Application of Division 28**

- (1) This Division applies to an individual.
- (2) It also applies to a partnership that includes at least one individual, as if the partnership were an individual.
- (3) It does not apply to any other entity.

**28-12 Car expenses**

- (1) If you owned or leased a \*car, you can deduct for the car's expenses an amount or amounts worked out using one of 2 methods.

Note 1: For particular types of cars taken on hire you cannot use one of the 2 methods: see section 28-165.

Note 2: In certain circumstances the lessee of a luxury car is taken to be its owner (see subsection 242-15(2)).

Note 3: In certain circumstances (for example, under a hire purchase agreement) the notional buyer of property is taken to be its owner (see subsection 240-20(2)).

- (2) You must use one of the 2 methods unless an exception applies. If you can't use either of the methods, you can't deduct anything for the \*car expenses.

**28-13 Meaning of *car expense***

- (1) A *car expense* is a loss or outgoing to do with a \*car.
- (2) In addition, any of the following is a car expense:
  - (a) a loss or outgoing to do with operating a \*car;
  - (b) the decline in value of a car.
- (3) None of the following is a car expense:
  - (a) a loss or outgoing incurred, or a payment made, in respect of travel outside Australia;

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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(b) a taxi fare or similar loss or outgoing.

## **Subdivision 28-B—Choosing which method to use**

### **Guide to Subdivision 28-B**

#### **28-14 What this Subdivision is about**

This Subdivision sets out the rules about choosing a method of calculating car expense deductions.

#### **Table of sections**

28-15 Choosing between the 2 methods

##### **Operative provision**

28-20 Rules governing choice of method

#### **28-15 Choosing between the 2 methods**

- (1) Below is a diagram giving information about the 2 methods of calculating car expense deductions.
- (2) The 2 methods give you the choice of which method best suits your situation and needs. For instance, one method may involve more paperwork than the other, but could give you bigger deductions.

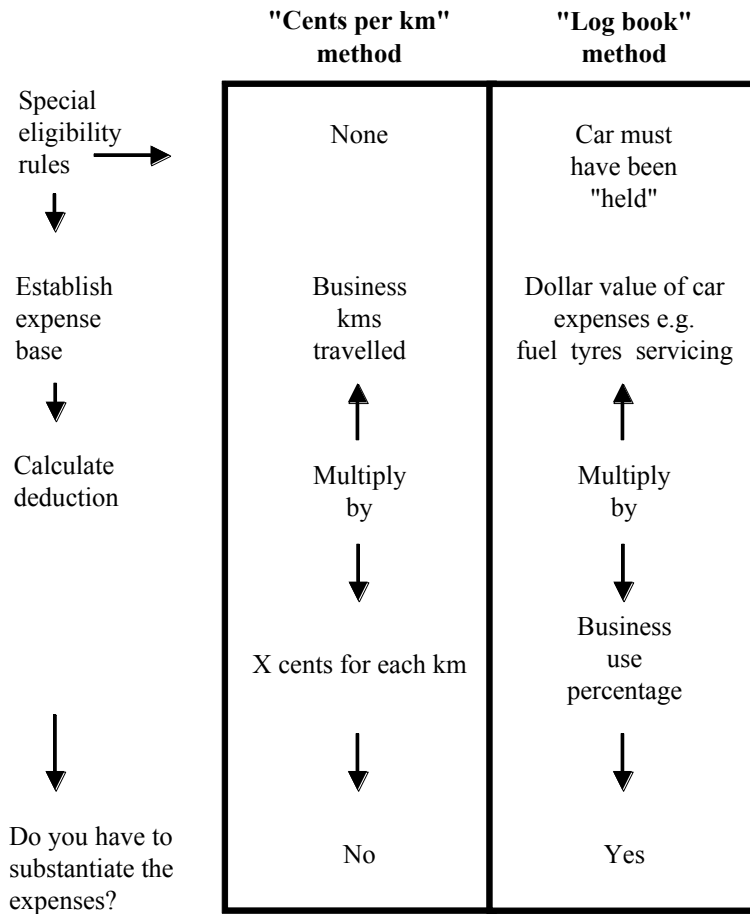
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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 28-15

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## Operative provision

### 28-20 Rules governing choice of method

- (1) You can choose only one method for all the \*car expenses for the \*car for the income year. Choosing one method precludes the other method.
- (2) However, you can change your choice for the income year.  
Example: You choose the “log book” method and deduct \$1,000. On audit, the Commissioner finds that your claim is too high and should be reduced to \$500. You would have been able to deduct \$700 if you had chosen the “cents per kilometre” method. This rule lets you change your choice and deduct the \$700.
- (3) You can also choose different methods for the same \*car for different income years and different methods for different cars for the same year.

### Subdivision 28-C—The “cents per kilometre” method

#### Table of sections

28-25	How to calculate your deduction
28-30	Capital allowances
28-35	Substantiation

### 28-25 How to calculate your deduction

- (1) To calculate your deduction using the “cents per kilometre” method, use this formula:

$$\begin{array}{l} \text{Number of *business kilometres} \\ \text{travelled by the *car in the income year} \end{array} \times \begin{array}{l} \text{Rate of cents/kilometre} \\ \text{determined under subsection (4)} \\ \text{for the car for the income year} \end{array}$$

- (2) But you can use this formula for the first 5,000 \*business kilometres only. If the \*car travelled more than 5,000 business kilometres, you must discard the kilometres in excess of 5,000.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## Section 28-30

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Example: If the car travelled 5,085 business kilometres, you could claim for 5,000, and would lose the extra 85.

- (3) **Business kilometres** are kilometres the \*car travelled in the course of:
- (a) producing your assessable income; or
  - (b) your \*travel between workplaces.

You calculate the number of business kilometres by making a reasonable estimate.

- (4) For the purposes of subsection (1), the Commissioner may, by legislative instrument, determine rates of cents per kilometre for cars for an income year.
- (5) In determining a rate, the Commissioner must have regard to the average operating costs for the cars to be covered by that rate.

Note: Examples of operating costs include fixed costs such as registration, insurance and depreciation, and variable costs such as fuel and maintenance.

## 28-30 Capital allowances

If a \*balancing adjustment event occurs for the \*car, you will need to refer to the capital allowances rules in Division 40 to find out how using this method affects the operation of those rules. See section 40-370 (about balancing adjustments for some cars).

## 28-35 Substantiation

To use this method, you do *not* need to substantiate the \*car expenses for the \*car.

## Subdivision 28-F—The “log book” method

### Table of sections

28-90	How to calculate your deduction
28-95	Eligibility

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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28-100 Substantiation

### 28-90 How to calculate your deduction

- (1) To use the “log book” method, you multiply the amount of each \*car expense by the \*business use percentage.

#### *The expense*

- (2) The expense must qualify as a deduction under some provision of this Act outside this Division (or would qualify if, while you \*held the \*car, you had used it only in producing your assessable income). If only part of the expense would qualify, you multiply that part by the \*business use percentage.

Example: You borrow money to buy a car. You make repayments of principal and payments of interest.

You cannot deduct the repayments of principal because they are capital expenses.

The interest payments would be deductible in full if, throughout the income year, you had used the car only in producing your assessable income.

Using the “log book” method:

- if you held the car for the whole income year—multiply the interest payments by the business use percentage;
- if you held the car for only 6 months of the income year—multiply the interest payments for those 6 months by the business use percentage.

To find out whether an expense qualifies as a deduction under this Act, see Division 8 (Deductions).

#### *The percentage*

- (3) The **business use percentage** is calculated by dividing:

- the number of \*business kilometres that the \*car travelled in the period when you \*held it during the income year;

by

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Section 28-95**

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- the total number of kilometres that the car travelled in that period;  
and expressing the result as a percentage.
- (4) **Business kilometres** are kilometres the \*car travelled in the course of:
- (a) producing your assessable income; or
  - (b) your \*travel between workplaces.
- (5) You calculate the number of business kilometres by making a reasonable estimate. The estimate must take into account all relevant matters, including:
- (a) any log books, odometer records or other records you have; and
  - (b) any variations in the pattern of use of the \*car; and
  - (c) any changes in the number of cars you used in the course of producing your assessable income.
- (6) You **hold** a \*car while you own it, or it is leased to you, for use in the course of producing your assessable income, even if it is also used for some other purpose.

Note 1: In certain circumstances the lessee of a luxury car is taken to be its owner (see subsection 242-15(2)).

Note 2: In certain circumstances the notional buyer of property is taken to be its owner (see subsection 240-20(2)).

**28-95 Eligibility**

You can use this method only if you \*held the \*car for some or all of the income year.

**28-100 Substantiation**

- (1) To use this method, you must substantiate the \*car expenses under Subdivision 900-C.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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- (2) You must also keep a log book. Subdivision 28-G explains:
- how often you need to keep a log book;
  - how to keep a log book.
- The log book is relevant to estimating the number of business kilometres the \*car travelled in the period when you \*held it during the income year.
- (3) You must keep odometer records for the period when you \*held the \*car during the income year. Subdivision 28-H tells you about odometer records, which document the total number of kilometres the car travelled in that period.
- (4) You must record the following information, in writing, before you lodge your \*income tax return:
- (a) your estimate of the number of \*business kilometres; and
  - (b) the \*business use percentage.
- However, the Commissioner may allow you to record the information later.
- (5) You must retain the log book and the odometer records. Subdivision 28-I has the rules about this.

## **Subdivision 28-G—Keeping a log book**

### **Guide to Subdivision 28-G**

#### **28-105 What this Subdivision is about**

This Subdivision tells you how to keep a log book. A log book is relevant to estimating the number of business kilometres the car travelled in the period when you held it during the income year.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 28-110

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**Table of sections**

28-110 Steps for keeping a log book

**Operative provisions**

28-115 Income years for which you need to keep a log book

28-120 Choosing the 12 week period for a log book

28-125 How to keep a log book

28-130 Replacing one car with another

**28-110 Steps for keeping a log book**

There are 3 steps you need to follow in keeping a log book:

- identify an income year for which to keep a log book;
- choose a period of at least 12 weeks for the log book to cover;
- record journeys made in the car during the log book period in the course of producing your assessable income.

**Operative provisions**

**28-115 Income years for which you need to keep a log book**

- (1) You need to keep a log book for the first income year for which you use this method for the \*car.
- (2) Having kept a log book for one income year, you don't need to keep a new one for the next 4 or more income years unless subsection (3) or (4) requires it. If you haven't kept a new log book for 4 income years in a row, you must keep one for the next income year.

Example: If you keep a log book in 1997-98, you would need to keep the next one in 2002-2003, unless subsection (3) or (4) requires one sooner.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 28-120

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- (3) You must keep a log book for an income year if the Commissioner sends you a notice before the year directing you to keep a log book for the \*car for that year.
- (4) You must keep a log book for an income year if, during that year, you get one or more additional \*cars for which you want to use the “log book” method for that year.
- (5) When you replace one \*car with another, you might have a period when you \*hold both the new car and the old car, or a period when you no longer \*hold the old car but do not yet hold the new car. In both these cases, you are treated for the purposes of subsection (4) as if you held the one car continuously.
- (6) You may choose to keep a log book for an income year even if you don’t need to; for example, because you want to establish a higher \*business use percentage.

**28-120 Choosing the 12 week period for a log book**

- (1) The log book must cover a continuous period of at least 12 weeks throughout which you \*held the \*car. If you hold the car for less than 12 weeks, the period must be the entire period for which you held the car.
- (2) The period may overlap the start or end of the income year, so long as it includes part of the year.
- (3) If you want to use the “log book” method for 2 or more \*cars for the same income year, the log books for those cars must cover periods that are concurrent.

**28-125 How to keep a log book**

- (1) It is in your interests to record in the log book any journey made in the \*car during the log book period in the course of producing your assessable income. If a journey is not recorded, the log book will indicate a lower \*business use percentage than is actually the case.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 28-125

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- (2) A journey is recorded by making in the log book an entry specifying:
- (a) the day the journey began and the day it ended;
  - (b) the \*car's odometer readings at the start and end of the journey;
  - (c) how many kilometres the car travelled on the journey;
  - (d) why the journey was made.

The record must be made at the end of the journey or as soon as possible afterwards.

- (3) If 2 or more journeys in a row are made in the \*car on the same day in the course of producing your assessable income, they can be recorded as a single journey.

- (4) The following must be entered in the log book:
- (a) when the log book period begins and ends;
  - (b) the \*car's odometer readings at the start and the end of the period;
  - (c) the total number of kilometres that the car travelled during the period;
  - (d) the number of kilometres that the car travelled, in the course of producing your assessable income, on journeys recorded in the log book;
  - (e) the number of kilometres referred to in paragraph (d), expressed as a percentage of the total number referred to in paragraph (c).

Each of the entries must be made at or as soon as possible after the start or end of the period, as appropriate.

- (5) Each entry in the log book must be in English.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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### **28-130 Replacing one car with another**

- (1) For the purposes of using the “log book” method, you may nominate one \*car as having replaced another car with effect from a day specified in the nomination.
- (2) After the nomination takes effect, the replacement \*car is treated as the original car, and the original car is treated as a different car. This means that you do not need to repeat for the replacement car the steps you have already taken for the original car under this Subdivision.
- (3) You must record the nomination in writing before you lodge your \*income tax return for the income year in which the nomination takes effect. However, the Commissioner may allow you to do it later.
- (4) You must retain the nomination document until the end of the period for which you must retain the last log book that you began to keep for the original \*car before the day of effect of the nomination.
- (5) Section 28-150 (which is about retaining log books) applies to the nomination document in the same way as it applies to that last log book.

### **Subdivision 28-H—Odometer records for a period**

#### **Guide to Subdivision 28-H**

#### **28-135 What this Subdivision is about**

This Subdivision tells you how to keep odometer records for a car during a particular period. Odometer records document the total number of kilometres the car travelled during a particular period.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 28-140

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**Table of sections**

**Operative provision**

28-140 How to keep odometer records for a car for a period

**Operative provision**

**28-140 How to keep odometer records for a car for a period**

- (1) Odometer records for a period are kept in the form of a document in which the following are entered:
  - (a) the \*car's odometer readings at the start and the end of the period;
  - (b) if there is a nomination under section 28-130 to replace the car with another \*car with effect from a day in that period—the odometer readings, at the end of that day, of both cars affected by the nomination.
- (2) Each entry under subsection (1) must be in English and must be made at or as soon as possible after the start or end of the period, or the end of the specified day, as appropriate.
- (3) The following must also be entered in the document:
  - (a) the \*car's make, model and registration number (if any);
  - (b) if the car has an internal combustion engine—its engine capacity expressed in cubic centimetres;
  - (c) if there is a nomination under section 28-130 to replace the car with another \*car—the corresponding details for the other car affected by the nomination.
- (4) Each entry under subsection (3) must be made in English and must be made before you lodge your \*income tax return.
- (5) The Commissioner may allow you to make an entry under this section after you lodge your \*income tax return.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## **Subdivision 28-I—Retaining the log book and odometer records**

### **Table of sections**

28-150	Retaining the log book for the retention period
28-155	Retaining odometer records

### **28-150 Retaining the log book for the retention period**

- (1) You must retain the log book:
  - (a) first, until the end of the latest income year for which you rely on the log book to support your calculation of the \*business use percentage for the \*car; and
  - (b) then for another 5 years.The period for which you must retain the log book is called the *retention period*.
- (2) The 5 years start on the due day for lodging your \*income tax return for that latest income year. If you lodge your return later, the 5 years start on the day you lodge it.
- (3) However, the \*retention period is extended if, when the 5 years end, you are involved in a dispute with the Commissioner that relates to a deduction worked out using a \*business use percentage that you are relying on the log book to support. See section 900-170.
- (4) If you do not retain the log book for the \*retention period, you cannot deduct any amount worked out using a \*business use percentage that you are relying on the log book to support. If you have already deducted such an amount, your assessment may be amended to disallow the deduction.
- (5) For the purposes of the rules about retaining and producing records of expenses (see Subdivision 900-G), the log book is treated as a record of the \*car expenses for each year for which you use a

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Section 28-155**

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\*business use percentage that you are relying on the log book to support.

- (6) If you lose the log book, there are rules that might help you in section 900-205. For the purposes of the rules about relief from the effects of failing to substantiate (see Subdivision 900-H), not doing something required by this Division is treated in the same way as not doing something necessary to follow the rules in Division 900.

**28-155 Retaining odometer records**

- (1) You must retain your odometer records relating to the period when you \*held the \*car in the income year.
- (2) If you keep a log book for the income year, you must retain the odometer records for the same period as the log book, and section 28-150 applies to them in the same way as it applies to the log book.
- (3) If you don't keep a log book for the income year, you must retain the odometer records for the same period as written evidence of a \*car expense for the \*car for the income year, and section 900-75 applies to them in the same way as it applies to written evidence of an expense.

Note: Section 900-75 is about retaining written evidence of a car expense.

**Subdivision 28-J—Situations where you cannot use, or do not need to use, one of the 2 methods**

**Guide to Subdivision 28-J**

**28-160 What this Subdivision is about**

This Subdivision sets out the situations where you cannot use, or don't need to use, either of the 2 methods. These situations involve either the nature of your car or the way you use it.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## Table of sections

### Operative provisions

28-165	Exception for particular cars taken on hire
28-170	Exception for particular cars used in particular ways
28-175	Further miscellaneous exceptions
28-180	Car expenses related to award transport payments
28-185	Application of Subdivision 28-J to PAYE to recipients and payers of certain withholding payments

## Operative provisions

### 28-165 Exception for particular cars taken on hire

- (1) For particular types of \*cars taken on hire you cannot use one of the 2 methods to calculate your deductions for \*car expenses.
- (2) Instead, you must calculate the deductions under the normal principles governing deductions, including the rules for apportioning a loss or outgoing that is only partly attributable to producing assessable income.
- (3) This section applies to a taxi taken on hire.
- (4) It also applies to a \*motor vehicle taken on hire under an agreement of a kind ordinarily entered into by people who take motor vehicles on hire intermittently, as the occasion requires, on an hourly, daily, weekly or short term basis, except if the motor vehicle:
  - (a) has been taken on hire under successive agreements of a kind that result in substantial continuity of the motor vehicle being taken on hire; or
  - (b) it is reasonable to expect that the motor vehicle will be taken on hire under successive agreements of a kind that will so result.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 28-170

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**28-170 Exception for particular cars used in particular ways**

- (1) For particular types of \*cars used in particular ways you don't need to use one of the 2 methods to calculate your deductions for \*car expenses.
- (2) You *may* use one of the 2 methods, or you may instead calculate the deductions under the normal principles governing deductions, including the rules for apportioning a loss or outgoing that is only partly attributable to producing assessable income.
- (3) This section applies if, whenever you used the \*car in the income year:
  - (a) the car was covered by the description in column 2 of an item in the table below; and
  - (b) you used the car as described in column 3 of that item.

Item	Column 2 Particular car	Column 3 Exempt use
1.	The *car was: (a) a panel van or utility truck; or (b) any other road vehicle designed to carry a load of less than 1 tonne (other than a vehicle designed principally to carry passengers); or (c) a taxi.	You used the car only in one or more of the following ways: (a) in the course of producing your assessable income; (b) to go between your residence and a place where you use the car in the course of producing your assessable income; (c) by providing the car to someone else to drive between his or her residence and a place where the car is used in the course of producing your assessable income; (d) for the purpose of travel that is incidental to using the car in the course of producing your assessable income; (e) for your own or someone else's private use that was minor, infrequent and irregular.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

Section 28-175

Item	Column 2 Particular car	Column 3 Exempt use
2.	The *car was part of the *trading stock of a *business of selling cars that you carried on.	You used the car in the course of the business.
3.	The *car was any type of car.	You let the car on lease or hire in the course of a *business of letting cars on lease or hire that you carry on.
4.	The *car was any type of car.	As an employer, you provided the car for the exclusive use of one or more of the following: (a) your employees; (b) their *relatives; in circumstances where one or more of them was entitled to use the car for private purposes. Note: This Subdivision also applies to entities that are not employers, but pay (or are liable to pay) withholding payments covered by subsection 28-185(3).

### 28-175 Further miscellaneous exceptions

- (1) This section lists some miscellaneous cases where you don't need to use one of the 2 methods to calculate your deductions for \*car expenses.
- (2) You *may* use one of the 2 methods, or you may instead calculate the deductions under the normal principles governing deductions, including the rules for apportioning a loss or outgoing that is only partly attributable to producing assessable income.
- (3) The cases are as follows:
  - (a) the \*car was unregistered throughout the period when you \*held it during the income year, and during that period you

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Section 28-180**

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used it principally in the course of producing your assessable income; or

- (b) at some time during the income year the \*car was part of the \*trading stock of a \*business of selling cars that you carried on, and you didn't use the car at any time during that year; or
- (c) the expense is to do with repairs to or other work on the \*car, and you incurred it in the course of a \*business that you carried on of doing repairs or other work on cars.

In applying paragraph (a), the car is taken to be registered in a particular place while it is lawful to drive the car on a public road there.

**28-180 Car expenses related to award transport payments**

- (1) Subdivision 900-I (Award transport payments) allows certain losses or outgoings to be deducted without getting written evidence. The losses or outgoings are \*transport expenses related to an allowance or reimbursement paid or payable to you by your employer under an \*industrial instrument that was in force on 29 October 1986.

Note: This Subdivision also applies to entities that are *not* employers, but pay (or are liable to pay) withholding payments covered by subsection 28-185(3).

- (2) If that Subdivision lets you deduct \*car expenses, or parts of \*car expenses, without getting written evidence, you don't need to use any of the 2 methods to calculate your deductions for those expenses or parts of expenses.
- (3) However, your use of the 2 methods for *other* \*car expenses you incur for the \*car for the income year is affected, unless you elect not to rely on Subdivision 900-I. Section 900-250 deals with this matter.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**28-185 Application of Subdivision 28-J to recipients and payers of certain withholding payments**

*Application to recipients*

- (1) If an individual receives, or is entitled to receive, \*withholding payments covered by subsection (3), this Subdivision applies to him or her:
- (a) in the same way as it applies to an employee; and
  - (b) as if an entity (a **notional employer**) that makes (or is liable to make) such payments to him or her were his or her employer; and
  - (c) as if any other individual who receives, or is entitled to receive, such payments from a notional employer were also an employee of the notional employer.

*Application to payers*

- (2) This Division applies to an entity that makes, or is liable to make, \*withholding payments covered by subsection (3):
- (a) in the same way as it applies to an employer; and
  - (b) as if an individual to whom the entity makes (or is liable to make) such payments were the entity's employee.

*Withholding payments covered*

- (3) This subsection covers a \*withholding payment covered by any of the provisions in Schedule 1 to the *Taxation Administration Act 1953* listed in the table.

<b>Withholding payments covered</b>		
<b>Item</b>	<b>Provision</b>	<b>Subject matter</b>
1	Section 12-35	Payment to employee
2	Section 12-40	Payment to company director
3	Section 12-45	Payment to office holder

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 28** Car expenses

Section 28-185

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**Withholding payments covered**

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<b>Item</b>	<b>Provision</b>	<b>Subject matter</b>
3A	Section 12-47	Payment to *religious practitioner
4	Section 12-50	Return to work payment
5	Subdivision 12-C	Payments for retirement or because of termination of employment
6	Subdivision 12-D	Benefit and compensation payments

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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## **Division 30—Gifts or contributions**

### **Table of Subdivisions**

	Guide to Division 30
30-A	Deductions for gifts or contributions
30-B	Tables of recipients for deductible gifts
30-BA	Endorsement of deductible gift recipients
30-C	Rules applying to particular gifts of property
30-CA	Administrative requirements relating to ABNs
30-DA	Donations to political parties and independent candidates and members
30-DB	Spreading certain gift and covenant deductions over up to 5 income years
30-E	Register of environmental organisations
30-EA	Register of harm prevention charities
30-F	Register of cultural organisations
30-G	Index to this Division

### **Guide to Division 30**

#### **30-1 What this Division is about**

This Division sets out the rules for working out deductions for certain gifts or contributions that you make.

#### **Table of sections**

30-5	How to find your way around this Division
30-10	Index

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 30-5

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**30-5 How to find your way around this Division**

- (1) You should start at Subdivision 30-A unless you are making a contribution or gift to a political party, independent candidate or member.

Note: Subdivision 30-DA deals with the deductibility of contributions and gifts to political parties, independent candidates and members.

- (2) Subdivision 30-A contains a table of all the gifts and contributions that you can deduct. You need to look at the table to see whether the type of gift or contribution you are making is covered by it.

- (3) In some cases, the table sends you off to Subdivision 30-B. It has a number of tables that list particular funds, authorities or institutions that deductible gifts can be made to.

- (4) In other cases, the table sends you off to Subdivision 30-C. It contains rules that apply to particular gifts of property.

- (4AA) Subdivision 30-BA provides for the Commissioner to endorse as a deductible gift recipient an entity that is, or operates, a fund, authority or institution. The relevance of the Subdivision to you is that generally you can deduct only a gift you make to a recipient that is endorsed or named in:

- (a) this Division; or  
(b) regulations made for the purposes of this Division.

Note: The fact that gifts to a recipient registered in the Australian Business Register are deductible will be shown in the Register.

- (4AB) Subdivision 30-CA sets out administrative rules which do not directly affect whether you can deduct a gift you make. The rules require:

- (a) a receipt issued by an entity for a gift to the entity or to a fund, authority or institution operated by the entity to show the entity's ABN; and

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

- (b) the Australian Business Registrar to enter in the Australian Business Register a statement in relation to an entity entered in the Register if:
- (i) gifts to the entity are deductible; or
  - (ii) gifts to a fund, authority or institution operated by the entity are deductible.
- (4B) Subdivision 30-DB allows you to spread deductions for certain gifts and covenants over up to 5 income years.
- (5) Subdivision 30-E requires the establishment of a register of \*environmental organisations. Subdivision 30-EA requires the establishment of a register of \*harm prevention charities. Subdivision 30-F requires the establishment of a register of \*cultural organisations. Their only relevance to you is that you can deduct a gift that you make to a fund listed on one of those registers.

### 30-10 Index

There is an index to this Division in Subdivision 30-G.

### Subdivision 30-A—Deductions for gifts or contributions

#### Table of sections

30-15	Table of gifts or contributions that you can deduct
30-17	Requirements for certain recipients

### 30-15 Table of gifts or contributions that you can deduct

- (1) You can deduct a gift or contribution that you make in the situations set out in the following table. It tells you:
- who the recipient of the gift or contribution can be; and
  - the type of gift or contribution that you can make; and

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 30** Gifts or contributions

**Section 30-15**

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- how much you can deduct for the gift or contribution; and
  - any special conditions that apply.
- (2) A testamentary gift or contribution is not deductible under this section.

Note: Subdivision 30-DA deals with the deductibility of contributions and gifts to political parties, independent candidates and members.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Deductible gifts or contributions**

Recipient	Type of gift or contribution	How much you can deduct	Special conditions
1 A fund, authority or institution covered by an item in any of the tables in Subdivision 30-B.	A gift of: (a) money; or (b) property (including *trading stock) that you purchased during the 12 months before making the gift; or (c) an item of your trading stock if: <ul style="list-style-type: none"> <li>• the gift is a disposal of the item outside the ordinary course of your *business; and</li> <li>• no election has been made, or is made, in relation to the item under Subdivision 385-E (about electing to spread or defer profit from the forced disposal or death of *live stock); or</li> </ul> (d) property valued by the Commissioner at more than \$5,000; or	(a) if the gift is money—the amount you are giving; or (b) if the gift is property (except trading stock covered by paragraph (c), property covered by paragraph (d) or shares covered by paragraph (e))—the lesser of the market value of the property on the day you made the gift and the amount you paid for the property; or (c) if the gift is an item of your trading stock: <ul style="list-style-type: none"> <li>• that you disposed of outside the ordinary course of your business; and</li> <li>• for which no election has been made, or is made, in relation to the item under Subdivision 385-E;</li> </ul> the market value of the item on the day you made the gift; or	(a) the fund, authority or institution must be in Australia; and (aa) the fund, authority or institution must either meet the requirements of section 30-17 or be mentioned by name in the relevant table item in Subdivision 30-B; and (b) the value of the gift must be \$2 or more; and (c) any conditions set out in the relevant table item in Subdivision 30-B must be satisfied; and (d) if the property is to be valued by the Commissioner—the requirements of section 30-212 are satisfied.

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 30** Gifts or contributions

Section 30-15

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**Deductible gifts or contributions**

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<b>Recipient</b>	<b>Type of gift or contribution</b>	<b>How much you can deduct</b>	<b>Special conditions</b>
	(e) *shares that you have acquired in a *listed public company if: <ul style="list-style-type: none"><li>• the shares are listed for quotation in the official list of a stock exchange that is listed under the heading “Australia” in regulations made for the purposes of the definition of *approved stock exchange; and</li><li>• the *market value of the shares on the day you made the gift is \$5,000 or less; and</li><li>• you acquire the shares at least 12 months before making the gift.</li></ul>	(d) if the gift is property valued by the Commissioner at more than \$5,000 and you did not purchase the property during the 12 months before making the gift—the value of the property as determined by the Commissioner; or (e) if the gift is shares described in paragraph (e) of the previous column—the market value of the shares on the day you made the gift.	

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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Section 30-15

**Deductible gifts or contributions**

Recipient	Type of gift or contribution	How much you can deduct	Special conditions
2 An *ancillary fund established and maintained under a will or instrument of trust solely for: (a) the purpose of providing money, property or benefits: <ul style="list-style-type: none"> <li>• to a fund, authority or institution gifts to which are deductible under item 1 of this table; and</li> <li>• for any purposes set out in the item of the table in Subdivision 30-B that covers the fund, authority or institution; or</li> </ul>	A gift of: <ul style="list-style-type: none"> <li>(a) money; or</li> <li>(b) property (including *trading stock) that you purchased during the 12 months before making the gift; or</li> <li>(c) an item of your trading stock if:                             <ul style="list-style-type: none"> <li>• the gift is a disposal of the item outside the ordinary course of your *business; and</li> <li>• no election has been made, or is made, in relation to the item under Subdivision 385-E (about electing to spread or defer profit from the forced disposal or death of *live stock); or</li> </ul> </li> <li>(d) property valued by the Commissioner at more than \$5,000; or</li> </ul>	<ul style="list-style-type: none"> <li>(a) if the gift is money—the amount you are giving; or</li> <li>(b) if the gift is property (except trading stock covered by paragraph (c), property covered by paragraph (d) or shares covered by paragraph (e))—the lesser of the market value of the property on the day you made the gift and the amount you paid for the property; or</li> <li>(c) if the gift is an item of your trading stock:                             <ul style="list-style-type: none"> <li>• that you disposed of outside the ordinary course of your business; and</li> <li>• for which no election has been made, or is made, in relation to the item under Subdivision 385-E;</li> </ul> </li> </ul> the market value of the item on the day you made the gift; or	<ul style="list-style-type: none"> <li>(a) the value of the gift must be \$2 or more; and</li> <li>(b) the terms of the will or trust must allow the trustee to invest money that the ancillary fund receives because of the gift only in a way that an *Australian law allows trustees to invest trust money; and</li> <li>(c) the ancillary fund must meet the requirements of section 30-17; and</li> <li>(d) if the property is to be valued by the Commissioner—the requirements of section 30-212 are satisfied.</li> </ul>

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 30** Gifts or contributions

Section 30-15

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**Deductible gifts or contributions**

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<b>Recipient</b>	<b>Type of gift or contribution</b>	<b>How much you can deduct</b>	<b>Special conditions</b>
(b) the establishment of such a fund, authority or institution.	(e) *shares that you have acquired in a *listed public company if: <ul style="list-style-type: none"><li>• the shares are listed for quotation in the official list of a stock exchange that is listed under the heading “Australia” in regulations made for the purposes of the definition of *approved stock exchange; and</li><li>• the *market value of the shares on the day you made the gift is \$5,000 or less; and</li><li>• you acquire the shares at least 12 months before making the gift.</li></ul>	(d) if the gift is property valued by the Commissioner at more than \$5,000 and you did not purchase the property during the 12 months before making the gift—the value of the property as determined by the Commissioner; or (e) if the gift is shares described in paragraph (e) of the previous column—the market value of the shares on the day you made the gift.	

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Deductible gifts or contributions**

<b>Recipient</b>	<b>Type of gift or contribution</b>	<b>How much you can deduct</b>	<b>Special conditions</b>
4 (a) the Australian Fund; or (b) a public library in Australia; or (c) a public museum in Australia; or (d) a public art gallery in Australia; or (e) an institution in Australia consisting of a public library, a public museum and a public art gallery or any 2 of them.	A gift of property (except an estate or interest in land or in a building or part of a building).	The general rule is that you can deduct the average of the *GST inclusive market values (as reduced under subsection (3) if that subsection applies) specified in the written valuations you get from approved valuers.  Subdivision 30-C sets out: (a) how a person becomes an approved valuer; and (b) the exceptions to the general rule; and (c) the situations when the amount you can deduct is reduced.  If the property is jointly owned, see section 30-225 to work out how much of the gift you can deduct.	(a) the property must be accepted by the recipient for inclusion in a collection it is maintaining or establishing; and (b) the value of the gift must be \$2 or more; and (ba) the institution must meet the requirements of section 30-17, unless it is the Australian Fund; and (c) you must satisfy the valuation requirements in section 30-200, unless section 30-205 (about the proceeds of the sale being assessable) applies.

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 30** Gifts or contributions

Section 30-15

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<b>Deductible gifts or contributions</b>			
<b>Recipient</b>	<b>Type of gift or contribution</b>	<b>How much you can deduct</b>	<b>Special conditions</b>
5 The Commonwealth (for the purposes of Artbank).	A gift of property (except an estate or interest in land or in a building or part of a building).	The general rule is that you can deduct the average of the *GST inclusive market values (as reduced under subsection (3) if that subsection applies) specified in the written valuations you get from approved valuers. Subdivision 30-C sets out: (a) how a person becomes an approved valuer; and (b) the exceptions to the general rule; and (c) the situations when the amount you can deduct is reduced.  If the property is jointly owned, see section 30-225 to work out how much of the gift you can deduct.	(a) the property must be accepted by the Commonwealth for inclusion in a collection maintained, or being established, for the purposes of Artbank; and  (b) you must satisfy the valuation requirements in section 30-200, unless section 30-205 (about the proceeds of the sale being assessable) applies.

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Deductible gifts or contributions**

Recipient	Type of gift or contribution	How much you can deduct	Special conditions
6 (a) the National Trust of Australia (New South Wales); or (b) the National Trust of Australia (Victoria); or (c) National Trust of Australia (Queensland) Limited; or (d) The National Trust of South Australia; or (e) The National Trust of Australia (W.A.); or (f) the National Trust of Australia (Tasmania); or (g) The National Trust of Australia (Northern Territory); or (h) the National Trust of Australia (A.C.T.); or (i) the Australian Council of National Trusts.	A gift of a place included in: (a) the National Heritage List, or the Commonwealth Heritage List, under the <i>Environment Protection and Biodiversity Conservation Act 1999</i> ; or (b) the Register of the National Estate under the <i>Australian Heritage Council Act 2003</i> .	The general rule is that you can deduct the average of the *GST inclusive market values (as reduced under subsection (3) if that subsection applies) specified in the written valuations you get from approved valuers.  Subdivision 30-C sets out: (a) how a person becomes an approved valuer; and (b) the exceptions to the general rule; and (c) the situations when the amount you can deduct is reduced.  If the place is jointly owned, see section 30-225 to work out how much of the gift you can deduct.	(a) the place must be accepted by the recipient for the purpose of preserving it for the benefit of the public; and (b) the value of the gift must be \$2 or more; and (c) you must satisfy the valuation requirements in section 30-200, unless section 30-205 (about the proceeds of the sale being assessable) applies.

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 30** Gifts or contributions

Section 30-15

**Deductible gifts or contributions**

<b>Recipient</b>	<b>Type of gift or contribution</b>	<b>How much you can deduct</b>	<b>Special conditions</b>
7 A *deductible gift recipient that is a fund, authority or institution covered by item 1 or 2 of this table.	A contribution of: (a) money, if the amount is more than \$150; or (b) property that you purchased during the 12 months before making the contribution, if the lesser of: <ul style="list-style-type: none"><li>the *market value of the property on the day you made the contribution; and</li><li>the amount you paid for the property;</li></ul> is more than \$150; or (c) property valued by the Commissioner at more than \$5,000, if you did not purchase the property during the 12 months before making the contribution; or	(a) if the contribution is money—the amount of the contribution, reduced by the *GST inclusive market value, on the day you made the contribution, of the right to attend, or participate in, the fund-raising event; or (b) if the contribution is property that you purchased during the 12 months before making the contribution—the lesser of: <ul style="list-style-type: none"><li>the market value of the property on the day you made the contribution; and</li><li>the amount you paid for the property;</li></ul> reduced by the GST inclusive market value, on the day you made the contribution, of the right to attend, or participate in, the fund-raising event; or	(a) if the contribution is money—the GST inclusive market value, on the day you made the contribution, of the right to attend, or participate in, the fund-raising event must not exceed the lesser of: <ul style="list-style-type: none"><li>20% of the amount of the contribution; and</li><li>\$150; and</li></ul>

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Deductible gifts or contributions**

Recipient	Type of gift or contribution	How much you can deduct	Special conditions
	(ca) *shares that you have acquired in a *listed public company if: <ul style="list-style-type: none"> <li>• the shares are listed for quotation in the official list of a stock exchange that is listed under the heading “Australia” in regulations made for the purposes of the definition of *approved stock exchange; and</li> <li>• the market value of the shares on the day you made the contribution is more than \$150 and less than or equal to \$5,000; and</li> <li>• you acquire the shares at least 12 months before making the contribution;</li> </ul>	(c) if the contribution is property valued by the Commissioner at more than \$5,000 and you did not purchase the property during the 12 months before making the contribution—the value of the property as determined by the Commissioner, reduced by the GST inclusive market value, on the day you made the contribution, of the right to attend, or participate in, the fund-raising event; or  (ca) if the contribution is shares described in paragraph (ca) of the previous column—the market value of the shares on the day you made the contribution, reduced by the GST inclusive market value, on the day you made the contribution, of the right to attend, or participate in, the fund-raising event.	(b) if the contribution is property that you purchased during the 12 months before making the contribution—the GST inclusive market value, on the day you made the contribution, of the right to attend, or participate in, the fund-raising event must not exceed the lesser of: <ul style="list-style-type: none"> <li>• 20% of the lesser of the market value of the property on the day you made the contribution and the amount you paid for the property; and</li> <li>• \$150; and</li> </ul>

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 30** Gifts or contributions

Section 30-15

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Deductible gifts or contributions	Type of gift or contribution	How much you can deduct	Special conditions
Recipient	where: (d) the contribution is not a gift; and (e) either: <ul style="list-style-type: none"><li>the contribution is made in return for a right permitting you to attend, or participate in, a particular *fund-raising event in Australia; or</li><li>the contribution is made in return for a right permitting an individual (other than you) to attend, or participate in, a particular fund-raising event in Australia.</li></ul>		(c) if the contribution is property valued by the Commissioner at more than \$5,000 and you did not purchase the property during the 12 months before making the contribution—the GST inclusive market value, on the day you made the contribution, of the right to attend, or participate in, the fund-raising event must not exceed \$150; and

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.



<b>Deductible gifts or contributions</b>			
<b>Recipient</b>	<b>Type of gift or contribution</b>	<b>How much you can deduct</b>	<b>Special conditions</b>
			(ca) if the contribution is shares described in paragraph (ca) of the column headed “Type of gift or contribution”—the GST inclusive market value, on the day you made the contribution, of the right to attend, or participate in, the fund-raising event must not exceed the lesser of: <ul style="list-style-type: none"> <li>• 20% of the market value of the shares on the day you made the contribution; and</li> <li>• \$150; and</li> </ul>

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 30** Gifts or contributions

Section 30-15

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**Deductible gifts or contributions**

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<b>Recipient</b>	<b>Type of gift or contribution</b>	<b>How much you can deduct</b>	<b>Special conditions</b>
			(d) if, instead of making the contribution, you had made a gift of money to the fund, authority or institution, and: <ul style="list-style-type: none"><li>• the amount of the gift had been more than \$2; and</li><li>• the gift had been made for the same purpose for which funds were to be raised by the fund-raising event;</li></ul> you could have deducted the gift under item 1 or 2 of this table; and
			(e) you must be an individual; and

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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**Deductible gifts or contributions**

Recipient	Type of gift or contribution	How much you can deduct	Special conditions
			(f) you cannot deduct more than 2 contributions in relation to the same fund-raising event; and (g) if the property is to be valued by the Commissioner—the requirements of section 30-212 are satisfied.
8 A *deductible gift recipient that is a fund, authority or institution covered by item 1 or 2 of this table.	A contribution of money, if: (a) the amount is more than \$150; and (b) the contribution is not a gift; and (c) you made the contribution by way of consideration for the supply of goods or services; and	The amount of the contribution, reduced by the GST inclusive market value, on the day you made the contribution, of the goods or services.	(a) the GST inclusive market value, on the day you made the contribution, of the goods or services must not exceed the lesser of: <ul style="list-style-type: none"> <li>• 20% of the amount of the contribution; and</li> <li>• \$150; and</li> </ul>

\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 30** Gifts or contributions

Section 30-15

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**Deductible gifts or contributions**

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<b>Recipient</b>	<b>Type of gift or contribution</b>	<b>How much you can deduct</b>	<b>Special conditions</b>
	<p>(d) you made the contribution because you were the successful bidder at an auction that:</p> <ul style="list-style-type: none"><li>• was a particular *fund-raising event in Australia; or</li><li>• was held at a particular fund-raising event in Australia; and</li></ul> <p>(e) the amount of the contribution exceeds the *GST inclusive market value, on the day you made the contribution, of the goods or services.</p>		<p>(b) if, instead of making the contribution, you had made a gift of money to the fund, authority or institution, and:</p> <ul style="list-style-type: none"><li>• the amount of the gift had been more than \$2; and</li><li>• the gift had been made for the same purpose for which funds were to be raised by the fund-raising event;</li></ul> <p>you could have deducted the gift under item 1 or 2 of this table; and</p> <p>(c) you must be an individual.</p>

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\*To find definitions of asterisked terms, see the Dictionary, starting at section 995-1.

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- (3) For the purposes of items 4, 5 and 6 of the table in subsection (2), the \*GST inclusive market values of the property or place in question are reduced by  $\frac{1}{11}$  if you would have been entitled to an \*input tax credit if:
  - (a) you had \*acquired the property or place at the time you made the gift; and
  - (b) your acquisition had been for a \*creditable purpose.
- (4) For the purposes of item 7 of the table in subsection (2), in working out the \*GST inclusive market value of the right in question, disregard anything that would prevent or restrict conversion of the right to money.
- (5) For the purposes of item 8 of the table in subsection (2), in working out the \*GST inclusive market value of the goods or services in question, disregard anything that would prevent or restrict conversion of the goods or services to money.

### **30-17 Requirements for certain recipients**

- (1) This section sets out requirements to be met for you to be able to deduct a gift you make to a fund, authority or institution described in the column headed “Recipient” of item 1, 2 or 4 of the table in section 30-15. However, this section does not apply to:
  - (a) a fund, authority or institution that is mentioned by name in an item of a table in Subdivision 30-B; or
  - (c) the Australian Fund.
- (2) The fund, authority or institution must:
  - (a) be an entity or \*government entity that is endorsed under Subdivision 30-BA as a \*deductible gift recipient; or
  - (b) in the case of a fund—either:
    - (i) be owned legally by an entity that is endorsed under Subdivision 30-BA as a \*deductible gift recipient for the operation of the fund; or
    - (ii) be under the control of one or more persons who constitute a \*government entity that is endorsed under

Section 30-17

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Subdivision 30-BA as a \*deductible gift recipient for the operation of the fund; or

- (c) in the case of an authority or institution—be part of an entity or \*government entity that is endorsed under Subdivision 30-BA as a \*deductible gift recipient for the operation of the authority or institution.

Example: A public fund that is established and maintained for constructing a building to be used by a State school and is controlled by the principal of the school would be an example of a fund under the control of one or more persons who constitute a government entity that is endorsed as a deductible gift recipient for the operation of the fund, if the school were so endorsed.

## **Subdivision 30-B—Tables of recipients for deductible gifts**

### **Table of sections**

#### **Health**

30-20 Health

#### **Education**

30-25 Education  
30-30 Gifts that must be for certain purposes  
30-35 Rural schools hostel buildings  
30-37 Scholarship etc. funds

#### **Research**

30-40 Research

#### **Welfare and rights**

30-45 Welfare and rights  
30-45A Australian disaster relief funds—declarations by Minister  
30-46 Australian disaster relief funds—declarations under State and Territory law

#### **Defence**

30-50 Defence

**Environment**

- 30-55 The environment  
30-60 Gifts to a National Parks body or conservation body must satisfy certain requirements

**Industry, trade and design**

- 30-65 Industry, trade and design

**The family**

- 30-70 The family  
30-75 Marriage education organisations must be approved

**International affairs**

- 30-80 International affairs  
30-85 Developing country relief funds  
30-86 Developed country disaster relief funds

**Sports and recreation**

- 30-90 Sports and recreation

**Philanthropic trusts**

- 30-95 Philanthropic trusts

**Cultural organisations**

- 30-100 Cultural organisations

**Fire and emergency services**

- 30-102 Fire and emergency services

**Other recipients**

- 30-105 Other recipients

Section 30-20

**Health**

**30-20 Health**

(1) This table sets out general categories of health recipients.

<b>Health—General</b>			
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—gift</b>
1.1.1	a public hospital	the public hospital must be: (a) an *Australian government agency; or (b) a *registered charity	none
1.1.2	a hospital carried on by a society or association	the society or association must be a *registered charity	none
1.1.3	a public fund maintained for: (a) the purpose of providing money for hospitals covered by item 1.1.1 or 1.1.2; or (b) the establishment of such hospitals	(a) the public fund must have been established before 23 October 1963; and (b) the public fund must be, or be operated by, an *Australian government agency or a *registered charity; and (c) the hospitals must satisfy the special conditions set out in item 1.1.1 or 1.1.2 (as applicable)	none
1.1.4	a public authority engaged in research into the causes, prevention or cure of disease in human beings, animals or plants	the public authority must be: (a) an *Australian government agency; or (b) a *registered charity	the gift must be made for such research
1.1.5	a public institution engaged solely in research into the causes,	the public institution must be: (a) an *Australian government agency; or	none



Section 30-20

<b>Health—General</b>			
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—gift</b>
	prevention or cure of disease in human beings, animals or plants	(b) a *registered charity	
1.1.6	a *registered health promotion charity	none	none
1.1.7	a public ambulance service	the public ambulance service must be: (a) an *Australian government agency; or (b) a *registered charity	none
1.1.8	a public fund established and maintained for the purpose of providing money for public ambulance services covered by item 1.1.7	(a) the public fund must be, or be operated by, an *Australian government agency or a *registered charity; and (b) the public ambulance services must satisfy the special conditions set out in item 1.1.7	none
1.1.9	a *community shed	the community shed must be a *registered charity	none

(2) This table sets out specific health recipients.

<b>Health—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
1.2.1	The Royal Australian and New Zealand College of Obstetricians and Gynaecologists	none
1.2.4	The Royal Australian and New Zealand College of Radiologists	the gift must be made for education or research in medical knowledge or science

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-20

<b>Health—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
1.2.5	the New South Wales College of Nursing	none
1.2.6	the Royal Australian and New Zealand College of Psychiatrists	none
1.2.7	the Royal Australian College of General Practitioners	the gift must be made for education or research in medical knowledge or science
1.2.8	the Royal Australasian College of Physicians	none
1.2.9	the Royal Australasian College of Surgeons	none
1.2.10	the Royal College of Pathologists of Australasia	the gift must be made for education or research in medical knowledge or science
1.2.12	the Royal College of Nursing, Australia	none
1.2.13	the Australian and New Zealand College of Anaesthetists	none
1.2.14	SouthCare Helicopter Fund	the gift must be made after 11 September 2000
1.2.18	The Australasian College for Emergency Medicine	the gift must be made after 2 February 2009
1.2.19	Cancer Australia	the gift must be made: (a) after 8 June 2011; and (b) for improving outcomes for Australians affected by breast cancer
1.2.20	The Australasian College of Dermatologists	the gift must be made for education or research in medical knowledge or science
1.2.21	College of Intensive Care Medicine of Australia and New Zealand	the gift must be made for education or research in medical knowledge or science
1.2.22	The Royal Australian and New Zealand College of Ophthalmologists	the gift must be made for education or research in medical knowledge or science

## Education

### 30-25 Education

(1) This table sets out general categories of education recipients.

<b>Education—General</b>			
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—gift</b>
2.1.1	a public university	the public university must be: (a) an *Australian government agency; or (b) a *registered charity	none
2.1.2	a public fund for the establishment of a public university	(a) the public fund must be: (i) an *Australian government agency; or (ii) a *registered charity; or (iii) operated by an Australian government agency or registered charity; and (b) the public university must satisfy the special conditions set out in item 2.1.1	none
2.1.3	an institution that is a higher education provider within the meaning of the <i>Higher Education Support Act 2003</i>	the institution must be: (a) an *Australian government agency; or (b) a *registered charity	none

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-25

<b>Education—General</b>			
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—gift</b>
2.1.4	a residential educational institution affiliated under statutory provisions with a public university	(a) the residential educational institution must be a *registered charity; and (b) the public university must satisfy the special conditions set out in item 2.1.1	none
2.1.5	a residential educational institution established by the Commonwealth	none	none
2.1.6	a residential educational institution that is affiliated with an institution that is a higher education provider within the meaning of the <i>Higher Education Support Act 2003</i>	(a) the residential educational institution must be: (i) an *Australian government agency; or (ii) a *registered charity; and (b) the higher education provider must satisfy the special conditions set out in item 2.1.3	none
2.1.7	an institution that the *Student Assistance Minister has determined to be a technical and further education institution under the <i>Student Assistance Act 1973</i>	the institution must be: (a) an *Australian government agency; or (b) a *registered charity	see section 30-30

Section 30-25

<b>Education—General</b>			
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—gift</b>
2.1.8	a public fund established and maintained solely for the purpose of providing religious instruction in government schools in Australia	the public fund must be: (a) an *Australian government agency; or (b) a *registered charity; or (c) operated by an Australian government agency or a registered charity	none
2.1.9	a public fund established and maintained by a Roman Catholic archdiocesan or diocesan authority solely for the purpose of providing religious instruction in government schools in Australia	the public fund must be: (a) an *Australian government agency; or (b) a *registered charity; or (c) operated by an Australian government agency or a registered charity	none
2.1.9A	a public fund established and maintained solely for the purpose of providing education in ethics: (a) in government schools in Australia; and (b) as an alternative to religious instruction, in accordance with *State law or *Territory law	the public fund must be: (a) a *registered charity; or (b) operated by a registered charity	none

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-25

<b>Education—General</b>			
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—gift</b>
2.1.10	a public fund established and maintained solely for providing money for the acquisition, construction or maintenance of a building used, or to be used, as a school or college by: (a) a government; or (b) a public authority; or (c) a society or association which is carried on otherwise than for the purposes of profit or gain to the individual members of the society or association	the public fund must be: (a) an *Australian government agency; or (b) a *registered charity; or (c) operated by an Australian government agency or a registered charity	none
2.1.11	a public fund established and maintained solely for providing money for the acquisition, construction or maintenance of a rural school hostel building to which section 30-35 applies	the public fund must be: (a) an *Australian government agency; or (b) a *registered charity; or (c) operated by an Australian government agency or a registered charity	none
2.1.12	a government school that: (a) provides special education for students each of whom has a disability that is permanent or is likely to be permanent; and (b) does not provide education for other students	none	none

Section 30-25

<b>Education—General</b>			
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—gift</b>
2.1.13	a public fund that is established and maintained solely for providing money for scholarships, bursaries or prizes to which section 30-37 applies	the public fund must be: (a) a *registered charity; or (b) operated by a registered charity	none

(2) This table sets out specific education recipients.

<b>Education—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
2.2.1	The Academy of the Social Sciences in Australia Incorporated	none
2.2.2	the Australian Academy of Science	none
2.2.3	the Australian Academy of the Humanities for the Advancement of Scholarship in Language, Literature, History, Philosophy and the Fine Arts	none
2.2.4	the Australian Academy of Technological Sciences and Engineering Limited	none
2.2.5	Aurora Education Foundation Limited	the gift must be made after 30 June 2013
2.2.6	the Australian and New Zealand Association for the Advancement of Science	none
2.2.8	the Life Education Centre	none
2.2.9	a company that conducts life education programs under the auspices of the Life Education Centre if the company: (a) is not carried on for the purposes of profit or gain to its individual members; and (b) is prohibited by its *constitution from making any distribution of money or property to its	the gift must be for the conduct of such programs

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-25

<b>Education—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
	members	
2.2.10	the Council for Christian Education in Schools	none
2.2.11	the Council for Jewish Education in Schools	none
2.2.13	the Lionel Murphy Foundation	none
2.2.14	the Marcus Oldham Farm Management College	see section 30-30
2.2.16	the Polly Farmer Foundation (Inc)	none
2.2.17	The Australian Council of Christians and Jews	the gift must be made after 6 December 1998
2.2.18	Sir William Tyree Foundation	the gift must be made after 28 February 1999
2.2.20	Australian Nuffield Farming Scholars Association	the gift must be made after 16 April 2001
2.2.21	Dymocks Children’s Charities Limited	the gift must be made after 4 January 2001
2.2.22	Australian Primary Principals Association Education Foundation	the gift must be made after 1 October 2001
2.2.23	Commonwealth Study Conferences (Australia) Incorporated	the gift must be made after 19 February 2001
2.2.24	Mt Eliza Graduate School of Business and Government Limited	the gift must be made after 4 April 2000
2.2.25	Australian Human Rights Education Fund	the gift must be made after 24 September 2001
2.2.26	Aboriginal Education Council (N.S.W.) Incorporated	the gift must be made after 6 May 2002
2.2.27	General Sir John Monash Foundation	the gift must be made after 16 June 2002
2.2.28	Australian-American Educational Foundation	the gift must be made after 30 April 2003
2.2.29	The Australian Literacy and Numeracy Foundation Limited	the gift must be made after 11 October 2002
2.2.30	The Constitution Education Fund	the gift must be made after 20 June 2003



Section 30-25

<b>Education—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
2.2.31	Country Education Foundation of Australia Limited	the gift must be made on or after 20 August 2003
2.2.32	Clontarf Foundation	the gift must be made after 30 August 2004
2.2.33	International Specialised Skills Institute Incorporated	the gift must be made after 11 August 2005
2.2.36	The Spirit of Australia Foundation	the gift must be made after 10 September 2007
2.2.37	The Royal Institution of Australia Incorporated	the gift must be made after 16 April 2009
2.2.39	The Charlie Perkins Scholarship Trust	the gift must be made after 1 August 2010
2.2.40	Roberta Sykes Indigenous Education Foundation	the gift must be made after 1 August 2010
2.2.41	Teach for Australia	the gift must be made after 31 December 2012
2.2.42	The Conversation Trust	the gift must be made after 21 November 2012
2.2.43	Australian Schools Plus Ltd	the gift must be made on or after 1 April 2014
2.2.44	Australian Science Innovations Incorporated	the gift must be made on or after 1 January 2016
2.2.45	Smile Like Drake Foundation Limited	the gift must be made after 8 March 2018 and before 9 March 2023
2.2.46	The Q Foundation Trust	the gift must be made after 31 December 2017 and before 1 January 2023
2.2.47	Governor Phillip International Scholarship Trust	the gift must be made after 30 June 2018 and before 1 July 2025
2.2.48	High Resolves	the gift must be made

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-30

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**Education—Specific**

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<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
		after 30 June 2018 and before 1 July 2025
2.2.49	Australian Academy of Law	the gift must be made after 30 June 2019 and before 1 July 2025
2.2.50	Superannuation Consumers' Centre Ltd	the gift must be made after 30 June 2019 and before 1 July 2025
2.2.51	The Andy Thomas Space Foundation Limited	the gift must be made after 30 June 2020
2.2.52	The Judith Neilson Institute for Journalism and Ideas	the gift must be made after 30 June 2020
2.2.53	SU Australia Ministries Limited	the gift must be made on or after 1 July 2021 and before 1 July 2023
2.2.54	The Australian Future Leaders Foundation Limited	the gift must be made after 30 June 2021
2.2.55	The Ramsay Centre for Western Civilisation Limited	the gift must be made after 30 June 2021

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**30-30 Gifts that must be for certain purposes**

- (1) You can deduct a gift that you make to:
- (a) a technical and further education institution covered by item 2.1.7 of the table in subsection 30-25(1); or
  - (b) the Marcus Oldham Farm Management College;
- only if the gift is for:
- (c) purposes of the institution, or of the College, that have been declared by the \*Student Assistance Minister to relate solely to tertiary education; or
  - (d) the provision of facilities for the institution, or the College, if the Student Assistance Minister has declared that he or she is satisfied the facilities are to be used principally for such purposes.
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- (2) A declaration under subsection (1) must be in writing, signed by the Minister.

### **30-35 Rural schools hostel buildings**

- (1) For the purposes of item 2.1.11 of the table in subsection 30-25(1), a rural school hostel building is one to which this section applies if it meets the conditions in subsections (2), (3) and (4).
- (2) The rural school hostel building must be used, or going to be used, principally as residential accommodation for students:
- (a) whose usual place of residence is in a rural area; and
  - (b) who are undertaking primary or secondary education, or special education programs for children with disabilities, at a school in the same area as the building.
- (3) The costs of the school must be solely or partly funded by the Commonwealth, a State or a Territory.
- (4) The residential accommodation must be provided by:
- (a) the Commonwealth, a State or a Territory; or
  - (b) a public authority; or
  - (c) a company that:
    - (i) is not carried on for the purposes of profit or gain to its individual members; and
    - (ii) is prohibited by its \*constitution from making any distribution of money or property to its members.

### **30-37 Scholarship etc. funds**

For the purposes of item 2.1.13 of the table in subsection 30-25(1), a scholarship, bursary or prize is one to which this section applies if:

- (a) it may only be awarded to Australian citizens, or permanent residents of Australia, within the meaning of the *Australian Citizenship Act 2007*; and

**Section 30-40**

- (b) it is open to individuals or groups of individuals throughout a region of at least 200,000 people, or throughout at least an entire State or Territory; and
- (c) it promotes recipients' education in either or both of the following:
  - (i) \*pre-school courses, \*primary courses, \*secondary courses or \*tertiary courses;
  - (ii) educational institutions overseas, by way of study of a component of a course covered by subparagraph (i); and
- (d) it is awarded on merit or for reasons of equity.

**Research**

**30-40 Research**

(1) This table sets out general categories of research recipients.

<b>Research—General</b>			
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—gift</b>
3.1.1	a university, college, institute, association or organisation which is an approved research institute for the purposes of section 73A (Expenditure on scientific research) of the <i>Income Tax Assessment Act 1936</i>	the approved research institute must be: <ul style="list-style-type: none"> <li>(a) an *Australian government agency; or</li> <li>(b) a *registered charity; or</li> <li>(c) operated by an Australian government agency or a registered charity</li> </ul>	the gift must be made for purposes of scientific research in the field of natural or applied science

(2) This table sets out specific research recipients.

<b>Research—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
3.2.1	the Centre for Independent Studies	none

Section 30-45

<b>Research—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
3.2.2	the Ian Clunies Ross Memorial Foundation	none
3.2.4	The Menzies Research Centre Public Fund	the gift must be made after 2 April 1998
3.2.5	The Sir Earl Page Memorial Trust	the gift must be made after 6 May 2001
3.2.6	Research Australia Limited	the gift must be made after 26 June 2001
3.2.7	The Page Research Centre Limited	the gift must be made after 12 January 2005
3.2.8	The Chifley Research Centre Limited	the gift must be made after 19 May 2005
3.2.9	Don Chipp Foundation Ltd	the gift must be made after 26 June 2006
3.2.10	Lingiari Policy Centre	the gift must be made after 25 July 2006
3.2.12	The Green Institute Limited	the gift must be made after 23 June 2009
3.2.13	United States Studies Centre	the gift must be made after 26 July 2009
3.2.14	The Ethics Centre Limited	the gift must be made on or after 24 February 2016
3.2.15	Centre For Entrepreneurial Research and Innovation Limited	the gift must be made after 1 January 2017
3.2.16	The Samuel Griffith Society Inc.	the gift must be made after 30 June 2019

## **Welfare and rights**

### **30-45 Welfare and rights**

- (1) This table sets out general categories of welfare and rights recipients.

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-45

<b>Welfare and rights—General</b>			
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—gift</b>
4.1.1	a *registered public benevolent institution	none	none
4.1.2	a public fund maintained for the purpose of providing money for: (a) *registered public benevolent institutions; or (b) the establishment of registered public benevolent institutions	the public fund must: (a) have been established before 23 October 1963; and (b) be: (i) a *registered charity; or (ii) operated by a registered charity	none
4.1.3	a public fund established and maintained for the purpose of relieving the necessitous circumstances of one or more individuals who are in Australia	the public fund must be: (a) an *Australian government agency; or (b) a *registered charity; or (c) operated by an Australian government agency or a registered charity	none
4.1.4	a public fund that, when the gift is made, is on the register of *harm prevention charities kept under Subdivision 30-EA	the public fund must be: (a) a *registered charity; or (b) operated by a registered charity	the gift must be made after 30 June 2003

<b>Welfare and rights—General</b>			
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—gift</b>
4.1.5	a public fund (including a public fund established and maintained by a public benevolent institution) that is established and maintained solely for providing money for the relief (including relief by way of assistance to re-establish a community) of people in Australia in distress as a result of a disaster to which subsection 30-45A(1) or 30-46(1) applies	the public fund must: (a) be: (i) an *Australian government agency; or (ii) a *registered charity; or (b) be operated by: (i) an Australian government agency; or (ii) a registered charity	see subsections 30-45A(4) and 30-46(2)
4.1.6	an institution whose principal activity is one or both of the following: (a) providing short-term direct care to animals (but not only native wildlife) that have been lost or mistreated or are without owners; (b) rehabilitating orphaned, sick or injured animals (but not only native wildlife) that have been lost or mistreated or are without owners	the institution must be a *registered charity	none

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-45

**Welfare and rights—General**

<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions— fund, authority or institution</b>	<b>Special conditions— gift</b>
4.1.7	an institution that would be a public benevolent institution, but for one or both of the following: (a) it also promotes the prevention or the control of diseases in human beings (but not as a principal activity); (b) it also promotes the prevention or the control of *behaviour that is harmful or abusive to human beings (but not as a principal activity)	the institution must be a *registered charity	none

(2) This table sets out specific welfare and rights recipients.

**Welfare and rights—Specific**

<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
4.2.1	Amnesty International Australia	none
4.2.2	the Child Accident Prevention Foundation of Australia	none
4.2.3	the National Foundation for Australian Women Limited	none
4.2.4	the National Safety Council of Australia Limited	none
4.2.5	United Way Australia	the gift must be made after 25 April 2013
4.2.6	the Royal Society for the Prevention of Cruelty to Animals New South Wales	none



<b>Welfare and rights—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
4.2.7	the Royal Society for the Prevention of Cruelty to Animals (Victoria) Inc.	none
4.2.8	Australian Neighbourhood Houses & Centres Association (ANHCA) Inc.	the gift must be made after 30 June 2013
4.2.9	the Royal Society for the Prevention of Cruelty to Animals (South Australia) Incorporated	none
4.2.10	the Royal Society for the Prevention of Cruelty to Animals, Western Australia	none
4.2.11	Royal Society for the Prevention of Cruelty to Animals Tasmania	none
4.2.12	the Society for the Prevention of Cruelty to Animals (Northern Territory)	none
4.2.13	the Royal Society for the Prevention of Cruelty to Animals (A.C.T.) Incorporated	none
4.2.14	RSPCA Australia	none
4.2.15	the Australian Council of Social Service Incorporated	the gift must be made after 30 June 2013
4.2.19	Reconciliation Australia Limited	the gift must be made after 6 December 2000
4.2.20	Royal Society for the Prevention of Cruelty to Animals, Queensland Incorporated	the gift must be made after 22 December 1999
4.2.21	Crime Stoppers Western Australia Limited	the gift must be made after 31 October 2002
4.2.22	New South Wales Crime Stoppers Limited	the gift must be made after 31 October 2002
4.2.23	Crime Stoppers Tasmania	the gift must be made after 28 November 2002
4.2.24	Crime Stoppers Queensland Limited	the gift must be made after 23 January 2003
4.2.25	Crime Stoppers Australia Ltd	the gift must be made after 4 June 2003

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-45

<b>Welfare and rights—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
4.2.26	Alcohol Education and Rehabilitation Foundation Limited	the gift must be made after 5 June 2003
4.2.27	Crime Stoppers South Australia Limited	the gift must be made on or after 19 September 2003
4.2.28	International Social Service - Australian Branch	the gift must be made after 17 March 2004
4.2.29	the Victorian Crime Stoppers Program	the gift must be made after 22 April 2004
4.2.31	Crime Stoppers Northern Territory Program	the gift must be made after 13 March 2005
4.2.31A	ACT Region Crime Stoppers Limited	the gift must be made after 12 February 2009
4.2.32	Kidsafe ACT (Inc.)	the gift must be made after 2 August 2007
4.2.33	Kidsafe New South Wales (Inc.)	the gift must be made after 2 August 2007
4.2.34	Kidsafe NT (Inc.)	the gift must be made after 2 August 2007
4.2.35	Kidsafe Qld (Inc.)	the gift must be made after 2 August 2007
4.2.36	Kidsafe SA Incorporated	the gift must be made after 2 August 2007
4.2.37	Kidsafe Tasmania (Inc)	the gift must be made after 2 August 2007
4.2.38	Kidsafe Vic (Inc.)	the gift must be made after 2 August 2007
4.2.39	Kidsafe Western Australia (Inc)	the gift must be made after 2 August 2007
4.2.40	Ian Thorpe's Fountain for youth Limited	the gift must be made after 28 February 2008
4.2.42	National Congress of Australia's First Peoples Limited	the gift must be made after 30 June 2013

Section 30-45A

<b>Welfare and rights—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
4.2.43	2017 Bourke Street Fund Trust Account	the gift must be made: (a) after 20 January 2017; and (b) before 21 January 2022
4.2.44	Victorian Pride Centre Ltd	the gift must be made after 8 March 2018 and before 9 March 2023
4.2.45	Australian Volunteers Support Trust	the gift must be made after 30 June 2019
4.2.46	Community Rebuilding Trust	the gift must be made after 30 June 2019
4.2.47	Motherless Daughters Australia Limited	the gift must be made after 30 June 2019 and before 1 July 2025
4.2.48	Neighbourhood Watch Australasia Limited	the gift must be made after 30 June 2019
4.2.49	Alliance for Journalists' Freedom Ltd	the gift must be made after 30 June 2020
4.2.50	Youthsafe	the gift must be made after 30 June 2020

**30-45A Australian disaster relief funds—declarations by Minister**

- (1) For the purposes of item 4.1.5 of the table in subsection 30-45(1), an event is a disaster to which this subsection applies if the Minister has declared it to be a disaster. The Minister may do so if satisfied that:
- (a) the event developed rapidly and resulted in:
    - (i) the death, serious injury or other physical suffering of a large number of people; or
    - (ii) widespread damage to property or the natural environment; or

**Section 30-46**

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- (b) if a national emergency declaration (within the meaning of the *National Emergency Declaration Act 2020*) is in force—the event is the subject of the national emergency declaration.
- (2) The Minister’s declaration of an event as a disaster:
  - (a) must be in writing; and
  - (b) must specify the day (or the first day) of the event; and
  - (c) must be published on the internet or by another method determined by the Minister.
- (3) The Minister’s declaration of an event as a disaster is not a legislative instrument.
- (4) You can deduct a gift that you make to a public fund covered by item 4.1.5 of the table in subsection 30-45(1), in relation to a disaster to which subsection (1) of this section applies, only within the 2 years beginning on the day specified in the declaration as the day (or the first day) of the event for which the fund is to provide relief.

Note: Public funds under item 4.1.5 of the table in subsection 30-45(1) are for disaster relief of people in Australia. Public funds may also be established for disaster relief of people in other countries. See items 9.1.1 (which is not limited to disaster relief) and 9.1.2 of the table in section 30-80.

**30-46 Australian disaster relief funds—declarations under State and Territory law**

- (1) For the purposes of item 4.1.5 of the table in subsection 30-45(1), a disaster is one to which this subsection applies if:
  - (a) it is declared to be a disaster, or it gives rise to a declaration of a state of emergency, by or with the approval of a Minister of a State or Territory under the law of the State or Territory; and
  - (b) it developed rapidly; and
  - (c) it resulted in the death, serious injury or other physical suffering of a large number of people, or in widespread damage to property or the natural environment; and

- (d) subsection 30-45A(1) does not apply to it.
- (2) You can deduct a gift that you make to a public fund covered by item 4.1.5 of the table in subsection 30-45(1), in relation to a disaster to which subsection (1) of this section applies, only within the 2 years beginning:
- (a) if the day (or the first day) on which the event occurred is specified in the declaration mentioned in paragraph (1)(a)—on that day; or
  - (b) otherwise—on the day of the declaration.

Note: Public funds under item 4.1.5 of the table in subsection 30-45(1) are for disaster relief of people in Australia. Public funds may also be established for disaster relief of people in other countries. See items 9.1.1 (which is not limited to disaster relief) and 9.1.2 of the table in section 30-80.

## Defence

### 30-50 Defence

- (1) This table sets out general categories of defence recipients.

<b>Defence—General</b>			
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—gift</b>
5.1.1	the Commonwealth or a State	none	the gift must be made for purposes of defence
5.1.2	a public institution or public fund established and maintained for the comfort, recreation or welfare of members of: (a) the armed forces of any part of Her Majesty's dominions; or (b) any allied or other	the public institution or public fund must be: (a) an *Australian government agency; or (b) a *registered charity; or (c) in the case of a public fund—	none

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-50

<b>Defence—General</b>			
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—gift</b>
	foreign force serving in association with Her Majesty's armed forces	operated by an Australian government agency or registered charity	
5.1.3	<p>a public fund established and maintained solely for providing money to reconstruct, or make critical repairs to, a particular war memorial that:</p> <p>(a) is located in Australia; and</p> <p>(b) commemorates events in a conflict in which Australia was involved, or people who are mainly Australians and who participated on Australia's behalf in a conflict; and</p> <p>(c) is a focus for public commemoration of the events or people mentioned in paragraph (b); and</p> <p>(d) is solely or mainly used for that public commemoration</p>	<p>the public fund must be:</p> <p>(a) an *Australian government agency; or</p> <p>(b) a *registered charity; or</p> <p>(c) operated by an Australian government agency or registered charity</p>	<p>the gift must be made within the 2 years beginning on the day on which:</p> <p>(a) the fund; or</p> <p>(b) if the fund is legally owned by an entity that is endorsed for the operation of the fund—the entity;</p> <p>is endorsed as a *deductible gift recipient under Subdivision 30-BA</p>

(2) This table sets out specific defence recipients.

Section 30-55

<b>Defence—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
5.2.11	The RSL Foundation	the gift must be made after 20 September 2000
5.2.31	the Anzac Centenary Public Fund	the gift must be made after 30 November 2012 and before 1 May 2019
5.2.34	Melbourne Korean War Memorial Committee Incorporated	the gift must be made after 31 December 2017 and before 1 January 2020
5.2.35	The Headstone Project (Tas) Inc.	the gift must be made after 30 June 2019 and before 1 July 2025
5.2.36	Virtual War Memorial Limited	the gift must be made on or after 1 July 2021 and before 1 July 2026
5.2.37	Perth Korean War Memorial Committee Incorporated	the gift must be made after 30 June 2021 and before 1 July 2024

## Environment

### 30-55 The environment

(1) This table sets out general categories of environment recipients.

<b>The environment—General</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
6.1.1	a public fund that, when the gift is made, is on the register of *environmental organisations kept under Subdivision 30-E	none

(2) This table sets out specific environment recipients.

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-55

<b>The environment—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
6.2.1	the Australian Conservation Foundation Incorporated	see section 30-60
6.2.2	Greening Australia Limited	see section 30-60
6.2.3	Landcare Australia Limited	see section 30-60
6.2.4	the National Parks Association of New South Wales	see section 30-60
6.2.5	the Victorian National Parks Association Incorporated	see section 30-60
6.2.6	Trust for Nature (Victoria)	see section 30-60
6.2.7	the National Parks Association of Queensland	see section 30-60
6.2.8	The Nature Conservation Society of South Australia Incorporated	see section 30-60
6.2.9	Nature Foundation Limited	see section 30-60
6.2.10	the Western Australian National Parks and Reserves Association Incorporated	see section 30-60
6.2.11	the Tasmanian Conservation Trust Incorporated	see section 30-60
6.2.12	the National Parks Association of the Australian Capital Territory Incorporated	see section 30-60
6.2.13	the National Trust of Australia (New South Wales)	none
6.2.14	the National Trust of Australia (Victoria)	none
6.2.15	National Trust of Australia (Queensland) Limited	none
6.2.16	The National Trust of South Australia	none
6.2.17	The National Trust of Australia (W.A.)	none
6.2.18	the National Trust of Australia (Tasmania)	none
6.2.19	The National Trust of Australia (Northern Territory)	none
6.2.20	the National Trust of Australia (A.C.T.)	none
6.2.21	the Australian Council of National Trusts	none
6.2.22	the World Wide Fund for Nature	see section 30-60
6.2.23	Mawson's Huts Foundation Limited	the gift must be made after 17 March 1997



### **30-60 Gifts to a National Parks body or conservation body must satisfy certain requirements**

You can deduct a gift that you make to an environmental institution covered by any of table items 6.2.1 to 6.2.12 or 6.2.22 in subsection 30-55(2) only if, at the time of making the gift:

- (a) if the institution is not a \*registered charity—the institution has agreed to give the \*Environment Secretary, within a reasonable period after the end of the income year in which you made the gift, statistical information about gifts made to the institution during that income year; and
- (b) the institution has a policy of not acting as a mere conduit for the donation of money or property to other entities.

## **Industry, trade and design**

### **30-65 Industry, trade and design**

This table sets out specific industry, trade and design recipients.

<b>Industry, trade and design—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
7.2.3	WorldSkills Australia	none
7.2.5	Australian Business Week Limited	the gift must be made after 8 December 2003

## **The family**

### **30-70 The family**

- (1) This table sets out general categories of family recipients.

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-70

**The family—General**

<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions— fund, authority or institution</b>	<b>Special conditions— gift</b>
8.1.1	a public fund established and maintained: (a) by a *non-profit company to which section 30-75 applies; and (b) solely for the purpose of providing money to be used in giving or providing marriage education under the <i>Marriage Act 1961</i> to individuals in Australia	the public fund must be: (a) a *registered charity; or (b) operated by a registered charity	none
8.1.2	a public fund that is established and maintained: (a) by a *non-profit company which receives funding from the Commonwealth to provide family counselling or family dispute resolution within the meaning of the <i>Family Law Act 1975</i> ; and (b) solely for the purpose of providing money to be used in providing family counselling or family dispute resolution within the meaning of the <i>Family Law Act 1975</i> to individuals in Australia	the public fund must be: (a) a *registered charity; or (b) operated by a registered charity	none

(2) This table sets out specific family recipients.

**The family—Specific**

<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
8.2.3	Australian Breastfeeding Association	the gift must be made after 31 July 2001
8.2.4	Playgroup NSW (Inc).	the gift must be made after 14 April 2005

Section 30-75

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**The family—Specific**

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<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
8.2.5	Playgroup WA (Inc)	the gift must be made after 13 March 2005
8.2.6	Playgroup Queensland Ltd	the gift must be made after 14 April 2005
8.2.7	Playgroup Tasmania Inc.	the gift must be made after 14 April 2005
8.2.8	Playgroup Association Northern Territory Incorporated	the gift must be made after 24 May 2005
8.2.9	ACT Playgroups Association Incorporated	the gift must be made after 14 April 2005
8.2.10	Playgroup Victoria Inc.	the gift must be made after 23 February 2006
8.2.11	Playgroup SA Inc	the gift must be made after 5 August 2006
8.2.12	Playgroup Australia Limited	the gift must be made after 2 August 2006

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**30-75 Marriage education organisations must be approved**

For the purposes of item 8.1.1 of the table in subsection 30-70(1), this section applies to a company if the company has been approved by the \*Families Minister under section 9C of the *Marriage Act 1961*.

**International affairs**

**30-80 International affairs**

- (1) This table sets out general categories of international affairs recipients.

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-80

**International affairs—General**

<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—gift</b>
9.1.1	a public fund declared by the Minister to be a developing country relief fund under section 30-85	the public fund must be: (a) a *registered charity; or (b) operated by a registered charity	see section 30-85
9.1.2	a public fund established and maintained by a *registered public benevolent institution solely for providing money for the relief (including relief by way of assistance to re-establish a community) of people in a country other than: (a) Australia; and (b) a country declared by the *Foreign Affairs Minister to be a developing country; who are in distress as a result of a disaster to which subsection 30-86(1) applies	none	see subsection 30-86(4)

(2) This table sets out specific international affairs recipients.

**International affairs—Specific**

<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
9.2.1	the Australian Institute of International Affairs	none
9.2.3	The Foundation for Development Cooperation Ltd	none
9.2.4	Australian American Education Leadership	the gift must be made after

Section 30-80

<b>International affairs—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
	Foundation Limited	26 January 1998
9.2.5	Sydney Talmudical College Association Refugees Overseas Aid Fund	the gift must be made after 29 January 1998
9.2.6	United Israel Appeal Refugee Relief Fund Limited	the gift must be made after 29 January 1998
9.2.7	the Asia Society AustralAsia Centre	the gift must be made after 6 December 1998
9.2.8	The Global Foundation	the gift must be made after 2 November 1999
9.2.10	Australia for UNHCR	the gift must be made after 27 June 2007
9.2.11	The Australia Foundation in support of Human Rights Watch Limited	the gift must be made after 30 June 2013
9.2.12	Lowy Institute for International Policy	the gift must be made after 13 August 2003
9.2.14	Make a Mark Australia Incorporated	the gift must be made after 30 June 2013
9.2.18	American Australian Association Limited	the gift must be made after 13 November 2006
9.2.21	Diplomacy Training Program Limited	the gift must be made after 16 April 2009
9.2.25	Rhodes Trust in Australia	the gift must be made after 21 October 2011
9.2.26	International Jewish Relief Limited	the gift must be made on or after 1 January 2015
9.2.27	Cambridge Australia Scholarships Limited	the gift must be made on or after 1 July 2021 and before 1 July 2026

Section 30-85

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**30-85 Developing country relief funds**

- (1) You can deduct a gift that you make to a public fund covered by item 9.1.1 of the table in subsection 30-80(1) only if the declaration is in force at the time you make the gift.
  - (2) The Minister may, by legislative instrument, declare a public fund to be a developing country relief fund if he or she is satisfied that the fund:
    - (a) has been established by an organisation declared by the \*Foreign Affairs Minister to be an approved organisation; and
    - (b) is solely for the relief of people in a country that:
      - (i) is included in the list of official development assistance recipients published from time to time by the Organisation for Economic Co-operation and Development's Development Assistance Committee; or
      - (ii) is declared by the Foreign Affairs Minister to be a developing country.
- Note: In 2019, the list of official development assistance recipients was available on the OECD's website (<http://www.oecd.org>).
- (3) A declaration made by the Minister under subsection (2) must not take effect earlier than the day after it is registered on the Federal Register of Legislation under the *Legislation Act 2003*.
  - (4) The Minister may, by legislative instrument, revoke a declaration made by the Minister under subsection (2). The revocation must not take effect earlier than the day after the instrument is registered on the Federal Register of Legislation under the *Legislation Act 2003*.
  - (5) A declaration by the \*Foreign Affairs Minister under this section must be in writing, signed by the Foreign Affairs Minister.

### 30-86 Developed country disaster relief funds

- (1) For the purposes of item 9.1.2 of the table in subsection 30-80(1), a disaster is one to which this subsection applies if the Minister has recognised it as a disaster. The Minister may do so if satisfied that:
  - (a) it developed rapidly; and
  - (b) it resulted in the death, serious injury or other physical suffering of a large number of people, or in widespread damage to property or the natural environment.
- (2) The Minister's recognition of an event as a disaster:
  - (a) must be by notifiable instrument; and
  - (b) must specify the day (or the first day) of the event.
- (4) You can deduct a gift that you make to a public fund covered by item 9.1.2 of the table in subsection 30-80(1) only within the 2 years beginning on the day specified in the recognition as the day (or the first day) of the event for which the fund is to provide relief.

Note: A public fund may also be established for disaster relief of people in Australia (see item 4.1.5 of the table in section 30-45).

## Sports and recreation

### 30-90 Sports and recreation

This table sets out specific sports and recreation recipients.

<b>Sports and recreation—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
10.2.1	the Australian Sports Foundation	none
10.2.2	Girl Guides Australia	none
10.2.3	an institution that is known as a State or Territory branch of Girl Guides Australia	none
10.2.4	the Scout Association of Australia	none
10.2.5	an institution that is known as a State or Territory branch of the Scout Association of	none

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-95

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<b>Sports and recreation—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
	Australia	
10.2.7	The Bradman Memorial Fund	the gift must be made after 24 February 2001
10.2.8	Amy Gillett Foundation	the gift must be made after 13 September 2007
10.2.9	Australian Sports Foundation Charitable Fund	the gift must be made after 30 June 2018 and before 1 July 2023

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## **Philanthropic trusts**

### **30-95 Philanthropic trusts**

This table sets out specific philanthropic trusts.

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<b>Philanthropic trusts—Specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
11.2.1	the Connellan Airways Trust	none
11.2.2	The Friends of the Duke of Edinburgh's Award in Australia Incorporated	none
11.2.4	the Playford Memorial Trust	none
11.2.5	The Sir Robert Menzies Memorial Foundation Limited	none
11.2.7	the Winston Churchill Memorial Trust	none
11.2.8	The Foundation for Young Australians	the gift must be made after 6 May 2001
11.2.9	Visy Cares	the gift must be made after 19 June 2001
11.2.10	Australian Philanthropic Services Limited	the gift must be made after 30 June 2016

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Section 30-100

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**Philanthropic trusts—Specific**

<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
11.2.11	Australian Women Donors Network	the gift must be made after 8 March 2018 and before 9 March 2023
11.2.12	the Australian Ireland Fund Limited	none
11.2.13	Foundation Broken Hill Limited	the gift must be made after 30 June 2019 and before 1 July 2025

**Cultural organisations**

**30-100 Cultural organisations**

(1) This table sets out general categories of cultural recipients.

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**Cultural organisations—General**

<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—<u>gift</u></b>
12.1.1	a public fund that, when the gift is made, is on the register of *cultural organisations kept under Subdivision 30-F	none	none

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-100

<b>Cultural organisations—General</b>			
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions—fund, authority or institution</b>	<b>Special conditions—gift</b>
12.1.2	a public library	the public library must: (a) be: (i) an *Australian government agency; or (ii) a *registered charity; or (b) be operated by: (i) an Australian government agency; or (ii) a registered charity	none
12.1.3	a public museum	the public museum must: (a) be: (i) an *Australian government agency; or (ii) a *registered charity; or (b) be operated by: (i) an Australian government agency; or (ii) a registered charity	none
12.1.4	a public art gallery	the public art gallery must: (a) be: (i) an *Australian government agency; or (ii) a *registered charity; or (b) be operated by: (i) an Australian government agency; or (ii) a registered charity	none

Section 30-100

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**Cultural organisations—General**

Item	Fund, authority or institution	Special conditions—fund, authority or institution	Special conditions—gift
12.1.5	an institution consisting of a public library, public museum and public art gallery or of any 2 of them	the institution must: (a) be: (i) an *Australian government agency; or (ii) a *registered charity; or (b) be operated by: (i) an Australian government agency; or (ii) a registered charity	none

(2) This table sets out specific cultural recipients.

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**Cultural organisations—Specific**

Item	Fund, authority or institution	Special conditions
12.2.1	The Australiana Fund	none
12.2.2	Creative Partnerships Australia Ltd	the gift must be made after 8 November 1996
12.2.3	The Ranfurly Library Service Incorporated	the gift must be made after 2 May 2006
12.2.4	National Arboretum Canberra Fund	the gift must be made after 30 June 2013
12.2.5	Sydney Chevra Kadisha	the gift must be made after 31 December 2017 and before 1 July 2022
12.2.6	C E W Bean Foundation	the gift must be made after 30 June 2018 and before 1 July 2025

Section 30-102

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**Fire and emergency services**

**30-102 Fire and emergency services**

This table sets out general categories of fire and emergency services recipients.

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<b>Fire and emergency services—General</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
12A.1.1	an *Australian government agency that has statutory responsibility for the coordination of volunteer fire brigades or State Emergency Services	the gift or contribution must be made for the purposes of supporting the coordination of volunteer fire brigades or State Emergency Services
12A.1.2	a public fund which satisfies all of the following requirements: (a) the fund is established and maintained by an *Australian government agency covered by item 12A.1.1;	none

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**Fire and emergency services—General**

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Item	Fund, authority or institution	Special conditions
	(b) the fund is established and maintained solely for the purpose of supporting the volunteer based emergency service activities of non-profit entities or of Australian government agencies;  (c) the principal activity of the entities mentioned in paragraph (b) is the provision of volunteer based emergency services that are regulated by a *State law or a *Territory law	
12A.1.3	a public fund which satisfies all of the following requirements:  (a) the fund is established and maintained by a *registered charity or an *Australian government agency;  (b) the principal activity of the entity is the provision of volunteer based emergency services that are regulated by a *State law or a *Territory law;	none

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-105

**Fire and emergency services—General**

<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
	(c) the fund is established and maintained solely for the purpose of supporting the volunteer based emergency service activities of the entity	

**Other recipients**

**30-105 Other recipients**

This table sets out specific other recipients.

<b>Other recipients—specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
13.2.1	the Council for Jewish Community Security	the gift must be made after 9 August 2007
13.2.2	the Foundation for Rural and Regional Renewal Public Fund	the gift must be made after 28 March 2000
13.2.3	Young Endeavour Youth Scheme Public Fund	the gift must be made after 24 September 2001
13.2.3A	Leeuwin Ocean Adventure Foundation Limited	the gift must be made after 16 April 2009
13.2.4	Layne Beachley - Aim for the Stars Foundation Limited	the gift must be made after 30 June 2013
13.2.5	Social Traders Ltd	the gift must be made after 30 June 2013
13.2.7	Lord Somers Camp and Power House	the gift must be made after 4 March 2004
13.2.16	Social Ventures Australia Limited	the gift must be made after 3 May 2007

Section 30-105

<b>Other recipients—specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
13.2.19	Philanthropy Australia Inc.	the gift must be made after 27 February 2013
13.2.20	The Prince's Trust Australia Limited	the gift must be made after 31 December 2013
13.2.21	The Minderoo Foundation Trust	the gift must be made on or after 1 January 2014
13.2.22	National Apology Foundation Ltd	the gift must be made on or after 1 January 2015
13.2.23	Foundation 1901 Limited	the gift must be made on or after 1 September 2021 and before 1 September 2026
13.2.24	Paul Ramsay Foundation Limited	the gift must be made after 30 June 2018 and before 1 July 2020
13.2.25	Friends of Myall Creek Memorial Incorporated	the gift must be made after 30 June 2019
13.2.26	Toy Libraries Australia Inc.	the gift must be made after 30 June 2019
13.2.27	RAS Foundation Limited	the gift must be made after 30 June 2020
13.2.28	The Great Synagogue Foundation	the gift must be made after 30 June 2020 and before 1 July 2025
13.2.29	Australian Associated Press Ltd	the gift must be made on or after 1 July 2021 and before

Section 30-115

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<b>Other recipients—specific</b>		
<b>Item</b>	<b>Fund, authority or institution</b>	<b>Special conditions</b>
		1 July 2026
13.2.30	The Greek Orthodox Community Of New South Wales Ltd	the gift must be made on or after 1 July 2019
13.2.31	Greek Orthodox Archdiocese of Australia Consolidated Trust Cathedral of the Annunciation of our Lady Restoration Fund	the gift must be made after 30 June 2021 and before 1 July 2024
13.2.32	Lord Mayor’s Charitable Foundation	the gift must be made after 30 June 2021
13.2.33	Royal Humane Society of New South Wales Incorporated	the gift must be made after 30 June 2020

**Subdivision 30-BA—Endorsement of deductible gift recipients**

**Guide to Subdivision 30-BA**

**30-115 What this Subdivision is about**

This Subdivision sets out rules about endorsement of entities and government entities as deductible gift recipients. Endorsement of an entity described (except by name) in Subdivision 30-A or 30-B lets you deduct a gift you make to a fund, authority or institution that is, or is operated by, the entity.

**Table of sections**

**Endorsement as a deductible gift recipient**

- 30-120 Endorsement by Commissioner
- 30-125 Entitlement to endorsement
- 30-130 Maintaining a gift fund



**Government entities treated like entities**

30-180 How this Subdivision applies to government entities

**Endorsement as a deductible gift recipient**

**30-120 Endorsement by Commissioner**

If an entity applies for endorsement in accordance with Division 426 in Schedule 1 to the *Taxation Administration Act 1953*, the Commissioner must endorse the entity:

- (a) as a \*deductible gift recipient, if the entity is entitled to be endorsed as a deductible gift recipient; or
- (b) as a \*deductible gift recipient for the operation of a fund, authority or institution, if the entity is entitled to be endorsed as a deductible gift recipient for the operation of the fund, authority or institution.

Note: For procedural rules relating to endorsement, see Division 426 in Schedule 1 to the *Taxation Administration Act 1953*.

**30-125 Entitlement to endorsement**

*Endorsement of an entity that is a fund, authority or institution*

- (1) An entity is entitled to be endorsed as a \*deductible gift recipient if:
  - (a) the entity has an \*ABN; and
  - (b) the entity is a fund, authority or institution that:
    - (i) is described (but not by name) in item 1, 2 or 4 of the table in section 30-15; and
    - (ii) is not described by name in Subdivision 30-B if it is described in item 1 of that table; and
    - (iii) meets the relevant conditions (if any) identified in the column headed "Special conditions" of the item of that table in which it is described; and
  - (c) the entity meets the requirements of subsection (6), unless:
    - (i) the entity is established by an Act; and

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 30** Gifts or contributions

**Section 30-125**

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- (ii) the Act (or another Act) does not provide for the winding up or termination of the entity; and
- (d) in the case of an \*ancillary fund:
  - (i) the fund complies with the rules in the \*public ancillary fund guidelines or the \*private ancillary fund guidelines (whichever are applicable); and
  - (ii) all of the trustees of the fund comply with those rules.

*Endorsement of an entity for operating a fund, authority etc.*

- (2) An entity is entitled to be endorsed as a \*deductible gift recipient for the operation of a fund, authority or institution that is described (but not by name) in item 1, 2 or 4 of the table in section 30-15 and is not described by name in Subdivision 30-B if:
  - (a) the entity has an \*ABN; and
  - (b) the entity:
    - (i) legally owns the fund; or
    - (ii) includes the authority or institution; and
  - (c) the fund, authority or institution meets the relevant conditions (if any) identified in the column headed “Special conditions” of that item; and
  - (d) the entity meets the requirements of subsection (6), unless:
    - (i) the entity is established by an Act; and
    - (ii) the Act (or another Act) does not provide for the winding up or termination of the entity; and
  - (e) the entity meets the requirements of section 30-130, unless the entity is endorsed as a deductible gift recipient under paragraph 30-120(a).

*Relevant special conditions in table in section 30-15*

- (3) To avoid doubt:
  - (a) a condition requiring the fund, authority or institution to meet the requirements of section 30-17 is not a relevant condition for the purposes of subparagraph (1)(b)(iii) or paragraph (2)(c) of this section; and

Note: Section 30-17 requires the entity to be endorsed under this Subdivision as a deductible gift recipient.

- (b) in the case of a fund, authority or institution that is described in item 1 of the table in section 30-15—a condition set out in the relevant table item in Subdivision 30-B, including a condition identified in the column headed “Special conditions—fund, authority or institution” of that item (if any), is a relevant condition for the purposes of subparagraph (1)(b)(iii) or paragraph (2)(c) of this section.

Note: Paragraph (c) of the column headed “Special conditions” of item 1 of the table in section 30-15 requires any conditions set out in the relevant table item in Subdivision 30-B to be satisfied.

*Transfer of assets from fund, authority or institution*

- (6) A law (outside this Subdivision), a document constituting the entity or rules governing the entity’s activities must require the entity, at the first occurrence of an event described in subsection (7), to transfer to a fund, authority or institution gifts to which can be deducted under this Division:
- (a) any surplus assets of the gift fund (see section 30-130); or
  - (b) if the entity is not required by this section to meet the requirements of section 30-130—any surplus:
    - (i) gifts of money or property for the principal purpose of the fund, authority or institution; and
    - (ii) contributions described in item 7 or 8 of the table in section 30-15 in relation to a \*fund-raising event held for that purpose; and
    - (iii) money received by the entity because of such gifts or contributions.

*Events requiring transfer*

- (7) The events are:
- (a) the winding up of the fund, authority or institution; and
  - (b) if the entity is endorsed because of a fund, authority or institution—the revocation of the entity’s endorsement under this Subdivision relating to the fund, authority or institution.

**Section 30-130**

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- Note 1: There are 2 ways an entity can be endorsed because of a fund, authority or institution. An entity can be endorsed either *because it is* a fund, authority or institution or *because it operates* a fund, authority or institution.
- Note 2: Section 426-55 in Schedule 1 to the *Taxation Administration Act 1953* deals with revocation of endorsement.
- Note 3: The entity is also required to keep appropriate records: see section 382-15 of the *Taxation Administration Act 1953*.

**30-130 Maintaining a gift fund**

- (1) The entity must maintain for the principal purpose of the fund, authority or institution a fund (the **gift fund**):
- (a) to which gifts of money or property for that purpose are to be made; and
  - (b) to which contributions described in item 7 or 8 of the table in section 30-15 in relation to a \*fund-raising event held for that purpose are to be made; and
  - (c) to which any money received by the entity because of such gifts or contributions is to be credited; and
  - (d) that does not receive any other money or property.
- (2) The entity must use the gift fund only for the principal purpose of the fund, authority or institution.

*Exception—only one gift fund required per entity*

- (3) An entity that operates 2 or more funds, authorities or institutions also meets the requirements of this section for 2 or more of those funds, authorities or institutions by maintaining a single gift fund if:
- (a) the gift fund meets the requirements in paragraphs (1)(a), (b) and (c) in respect of each of the funds, authorities or institutions for which the gift fund is maintained; and
  - (b) the gift fund does not receive any other money or property.
- (4) The entity must use a gift or contribution made to the fund and any money credited to the fund only for the principal purpose of the

fund, authority or institution to which the gift, contribution or money relates.

Note: The entity is also required to keep appropriate records for each of the funds, authorities or institutions: see section 382-15 of the *Taxation Administration Act 1953*.

## **Government entities treated like entities**

### **30-180 How this Subdivision applies to government entities**

- (1) The other sections of this Subdivision apply in relation to a \*government entity in the same way as they apply in relation to an entity.
- (2) Subparagraph 30-125(2)(b)(i) (as applied by this section) operates as if it referred to the \*government entity consisting of persons, one or more of whom controlled the fund (instead of referring to the entity legally owning the fund).

## **Subdivision 30-C—Rules applying to particular gifts of property**

### **Table of sections**

#### **Valuation requirements**

- 30-200 Getting written valuations
- 30-205 Proceeds of the sale would have been assessable
- 30-210 Approved valuers
- 30-212 Valuations by the Commissioner

#### **Working out the amount you can deduct for a gift of property**

- 30-215 How much you can deduct
- 30-220 Reducing the amount you can deduct

#### **Joint ownership of property**

- 30-225 Gift of property by joint owners

Section 30-200

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## Valuation requirements

### 30-200 Getting written valuations

- (1) You satisfy the valuation requirements if you get 2 or more written valuations of the gift you made.

Note 1: In most cases, you need to get these written valuations to be able to deduct a gift of property that you make to a recipient covered by item 4, 5 or 6 of the table in section 30-15.

Note 2: You do *not* need to get written valuations in the circumstances set out in section 30-205.

- (2) The valuations must be by different individuals, each of whom is an approved valuer of the kind of property you are giving away.

Note: Section 30-210 deals with how an individual becomes an approved valuer.

- (3) Each valuation must state the amount that, in the opinion of the valuer, was:

- (a) the \*GST inclusive market value of the property on the day you made the gift; or
- (b) the \*GST inclusive market value of the property on the day the valuation was made.

- (4) If a valuation states the \*GST inclusive market value of the property on the day the valuation was made, it must have been made within 90 days before or after the gift was made. However, the Commissioner may allow a longer period than this.

### 30-205 Proceeds of the sale would have been assessable

- (1) You do *not* need to get written valuations of the gift you made if:
- (a) no amount is included in your assessable income in respect of the gift you made; but
  - (b) an amount *would* have been included in your assessable income if you had sold the property instead of making the gift.

- (2) However, this section does not apply if, apart from the operation of subsection 118-60(2), an amount would have been included in your assessable income in respect of the gift you made.

### **30-210 Approved valuers**

- (1) The \*Arts Secretary may approve an individual as a valuer of a particular kind of property. The approval must be in writing, signed by the Secretary.
- (2) The Secretary must, in deciding whether to approve an individual, have regard to:
- (a) the individual's qualifications, experience and knowledge in valuing that kind of property; and
  - (b) the individual's knowledge of the current \*GST inclusive market value of that kind of property; and
  - (c) the individual's standing in the professional community.

### **30-212 Valuations by the Commissioner**

- (1) If you make a gift or contribution that is covered by a provision of this Division that refers to the value of property as determined by the Commissioner, you must seek the valuation from the Commissioner.
- (2) The Commissioner may charge you the amount worked out in accordance with the regulations for making the valuation.

## **Working out the amount you can deduct for a gift of property**

### **30-215 How much you can deduct**

- (1) This section contains the rules for working out how much you can deduct for a gift of property that you make to a recipient covered by item 4, 5 or 6 of the table in section 30-15.
- (2) The general rule is that the amount you can deduct for a gift of this kind is the average of the \*GST inclusive market values (as reduced under subsection 30-15(3) if that subsection applies)

Section 30-215

specified in the written valuations you got from the approved valuers.

Note: In some situations you must reduce the amount you can deduct: see section 30-220.

(3) The exceptions to the general rule are set out in this table:

<b>Amount you can deduct for a gift of property</b>		
<b>Item</b>	<b>In this case:</b>	<b>The amount you can deduct is:</b>
1	Section 30-205 (which is about the proceeds of the sale being assessable) applies, and you bought the property	the amount you paid for the property, reduced by the amount of any *input tax credit to which you are or were entitled for your *acquisition of the property
2	Section 30-205 (which is about the proceeds of the sale being assessable) applies, and you created or produced the property	so much of the cost of creation or production as you would have been able to deduct if you had sold the property, reduced by the amount of any *input tax credit to which you are or were entitled for your *acquisitions to the extent that they were made for the purpose of creating or producing the property
3	Neither of cases 1 and 2 applies, and you acquired the property: (a) less than one year before making the gift (otherwise than by inheriting it); or (b) for the purpose of giving it away; or (c) subject to an *arrangement that the property would be given away	the lesser of the amount you paid for the property and: (a) if the average of the written valuations you got fairly represents the *GST inclusive market value (as reduced under subsection (4) if that subsection applies) of the property on the day you made the gift—that average; or (b) if it does not—the *GST inclusive market value (as reduced under subsection (4) if that subsection applies) of the property on the day you made the gift



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**Amount you can deduct for a gift of property**

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Item	In this case:	The amount you can deduct is:
4	None of cases 1 to 3 applies, and the average of the written valuations you got does <i>not</i> fairly represent the *market value of the property on the day you made the gift	the *GST inclusive market value (as reduced under subsection (4) if that subsection applies) of the property on the day you made the gift

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- (4) For the purposes of items 3 and 4 of the table in subsection (3), the \*GST inclusive market values of the property in question are reduced by  $\frac{1}{11}$  if you would have been entitled to an \*input tax credit if:
- (a) you had \*acquired the property at the time you made the gift; and
  - (b) your acquisition had been for a \*creditable purpose.

**30-220 Reducing the amount you can deduct**

- (1) The amount you can deduct is reduced by a reasonable amount if:
- (a) the terms and conditions on which the gift is made are such that the recipient:
    - (i) does not receive immediate custody and control of the property; or
    - (ii) does not have the unconditional right to retain custody and control of the property in perpetuity; or
    - (iii) does not obtain an immediate, indefeasible and unencumbered legal and equitable title to the property; or
  - (b) the custody, control or use of the property by the recipient is affected by an \*arrangement entered into in respect of the making of the gift.
- (2) In deciding what is a reasonable amount, have regard to the effect of those terms and conditions, or that \*arrangement, on the \*GST inclusive market value of the gift.

Section 30-225

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## **Joint ownership of property**

### **30-225 Gift of property by joint owners**

If:

- (a) you own property jointly with one or more other entities; and
- (b) you and the other entities make a gift of the property; and
- (c) you would have been able to deduct the gift under section 30-15 because of item 4, 5 or 6 of the table in that section if you had made a gift of the property as sole owner of it;

you can deduct so much of the gift as is reasonable, having regard to your interest in the property.

### **Subdivision 30-CA—Administrative requirements relating to ABNs**

#### **Guide to Subdivision 30-CA**

#### **30-226 What this Subdivision is about**

An entity must ensure certain details must appear on a receipt it issues for a gift that:

- (a) is made to the entity or a fund, authority or institution it operates; and
- (b) is of a kind that the giver can deduct under Subdivision 30-A.

If the entity has an ABN, the Australian Business Registrar must state in the Australian Business Register that the entity is a deductible gift recipient.

## Table of sections

### Requirements

30-227	Entities to which this Subdivision applies
30-228	Content of receipt for gift
30-229	Australian Business Register must show deductibility of gifts to deductible gift recipient

## Requirements

### 30-227 Entities to which this Subdivision applies

- (1) This Subdivision sets out requirements relating to a \*deductible gift recipient.
- (2) A **deductible gift recipient** is an entity or \*government entity that:
  - (a) is a fund, authority or institution described in item 1, 2, 4, 5 or 6 of the table in section 30-15 and is:
    - (i) endorsed under Subdivision 30-BA as a deductible gift recipient; or
    - (ii) mentioned by name in that table or in Subdivision 30-B; or
  - (b) is endorsed as a deductible gift recipient for the operation of a fund, authority or institution described in item 1, 2 or 4 of the table in section 30-15.

### 30-228 Content of receipt for gift or contribution

- (1) If a \*deductible gift recipient issues a receipt for a gift described in the relevant item of the table in section 30-15 to the fund, authority or institution, the deductible gift recipient must ensure that the receipt states:
  - (a) the name of the fund, authority or institution; and
  - (b) the \*ABN (if any) of the deductible gift recipient; and
  - (c) the fact that the receipt is for a gift.

Note: If the deductible gift recipient is endorsed as a deductible gift recipient and it contravenes this section, the Commissioner may revoke its

**Section 30-228**

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endorsement: see section 426-55 in Schedule 1 to the *Taxation Administration Act 1953*.

- (2) If a \*deductible gift recipient issues a receipt for a contribution described in item 7 of the table in section 30-15, the deductible gift recipient must ensure that the receipt states:
- (a) the name of the deductible gift recipient; and
  - (b) the \*ABN (if any) of the deductible gift recipient; and
  - (c) the fact that the receipt is for a contribution made in return for a right to attend, or participate in, a specified \*fund-raising event; and
  - (d) if the contribution is money—the amount of the contribution; and
  - (e) the amount of the \*GST inclusive market value, on the day the contribution was made, of the right to attend, or participate in, the fund-raising event.
- (3) For the purposes of paragraph (2)(e), in working out the \*GST inclusive market value of the right in question, disregard anything that would prevent or restrict conversion of the right to money.
- (4) If a \*deductible gift recipient issues a receipt for a contribution described in item 8 of the table in section 30-15, the deductible gift recipient must ensure that the receipt states:
- (a) the name of the deductible gift recipient; and
  - (b) the \*ABN (if any) of the deductible gift recipient; and
  - (c) the fact that the receipt is for a contribution made by way of consideration for the supply of goods or services; and
  - (d) the fact that the contribution was made because the contributor was the successful bidder at an auction that:
    - (i) was a specified \*fund-raising event; or
    - (ii) was held at a specified fund-raising event; and
  - (e) if the contribution is money—the amount of the contribution; and
  - (f) the \*GST inclusive market value, on the day the contribution was made, of the goods or services.

- (5) For the purposes of paragraph (4)(f), in working out the \*GST inclusive market value of the goods or services in question, disregard anything that would prevent or restrict conversion of the goods or services to money.

**30-229 Australian Business Register must show deductibility of gifts to deductible gift recipient**

- (1) If a \*deductible gift recipient has an \*ABN, the \*Australian Business Registrar must enter in the \*Australian Business Register in relation to the deductible gift recipient a statement that it is a deductible gift recipient for a specified period.

Note 1: An entry (or lack of entry) of a statement required by this section does not affect whether you can deduct a gift to the fund, authority or institution.

Note 2: This section will apply to all entities and government entities that are endorsed as deductible gift recipients under Subdivision 30-BA, because they must have ABNs to be endorsed. It will also apply to other entities described or named in Subdivision 30-A if they have ABNs.

- (2) If the \*deductible gift recipient is a deductible gift recipient only because it is endorsed under Subdivision 30-BA as a deductible gift recipient for the operation of a fund, authority or institution, the statement must name the fund, authority or institution.

(2A) If:

- (a) the \*deductible gift recipient is:
- (i) a fund, authority or institution; or
  - (ii) a deductible gift recipient only because it is endorsed under Subdivision 30-BA as a deductible gift recipient for the operation of a fund, authority or institution; and
- (b) the fund, authority or institution is covered by item 1, 2 or 4 of the table in section 30-15;

the statement must specify that the fund, authority or institution is covered by that item.

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 30** Gifts or contributions

Section 30-241

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- (3) The \*Australian Business Registrar may remove the statement from the \*Australian Business Register after the end of the period.
- (4) The \*Australian Business Registrar must take reasonable steps to ensure that a statement appearing in the \*Australian Business Register under this section is true. For this purpose, the Registrar may:
  - (a) change the statement; or
  - (b) remove the statement from the Register if the statement is not true; or
  - (c) remove the statement from the Register and enter another statement in the Register under this section.

**Subdivision 30-DA—Donations to political parties and independent candidates and members**

**Guide to Subdivision 30-DA**

**30-241 What this Subdivision is about**

Generally, you can deduct certain contributions and gifts to political parties, independent candidates and members.

Contributions and gifts must be at least \$2 and there is a limit on the total amount that you can deduct.

**Table of sections**

**Operative provisions**

30-242	Deduction for political contributions and gifts
30-243	Amount of the deduction
30-244	When an individual is an independent candidate
30-245	When an individual is an independent member

## Operative provisions

### 30-242 Deduction for political contributions and gifts

- (1) You can deduct any of the following for the income year in which they are made:
  - (a) a contribution or gift to a political party that is registered under Part XI of the *Commonwealth Electoral Act 1918* or under corresponding State or Territory legislation;
  - (b) a contribution or gift to an individual when the individual is an \*independent candidate for a Commonwealth, State, Northern Territory or Australian Capital Territory election;
  - (c) a contribution or gift to an individual who is, or was, an \*independent member of the Commonwealth Parliament, a State Parliament, the Legislative Assembly of the Northern Territory or the Legislative Assembly for the Australian Capital Territory.
- (2) The contribution or gift must be of:
  - (a) money; or
  - (b) property that you purchased during the 12 months before making the contribution or gift.
- (3) The value of the contribution or gift must be at least \$2.
- (3A) You can deduct the contribution or gift only if:
  - (a) you are an individual; and
  - (b) you do *not* make the gift or contribution in the course of carrying on a \*business.
- (4) You cannot deduct a testamentary contribution or gift under this Subdivision.
- (5) A contribution or gift to an individual who is, or was, an \*independent member must be made:
  - (a) when the individual is an independent member; or
  - (b) if the individual ceases to be an independent member because:

Section 30-243

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- (i) a Parliament, a House of a Parliament or a Legislative Assembly is dissolved or has reached its maximum duration; or
- (ii) the individual comes up for election; after the individual ceases to be a member but before candidates for the resulting election are declared or otherwise publicly announced by an entity authorised under the relevant electoral legislation.

**30-243 Amount of the deduction**

- (1) If the contribution or gift is money, the amount of the deduction is the amount of money.
- (2) If the contribution or gift is property, the amount of the deduction is the lesser of:
  - (a) the market value of the property on the day that you made the contribution or gift; and
  - (b) the amount that you paid for the property.

*\$1,500 limit on deductions*

- (3) You cannot deduct more than \$1,500 under this Subdivision for an income year for contributions and gifts to political parties.
- (4) You cannot deduct more than \$1,500 under this Subdivision for an income year for contributions and gifts to \*independent candidates or \*independent members.

**30-244 When an individual is an independent candidate**

- (1) An individual is an *independent candidate* if:
  - (a) the individual is a candidate in an election (including an election that is later declared void) for members of the Commonwealth Parliament, a State Parliament, the Legislative Assembly of the Northern Territory or the Legislative Assembly for the Australian Capital Territory; and



- (b) the individual's candidature is not endorsed by a political party that is registered under Part XI of the *Commonwealth Electoral Act 1918* or under corresponding State or Territory legislation.
- (2) However, an individual does not start being an \*independent candidate until the candidates for the election are declared or otherwise publicly announced by an entity authorised under the relevant electoral legislation.
- (3) An individual stops being an \*independent candidate when the result of the election is declared or otherwise publicly announced by an entity authorised under the relevant electoral legislation.
- (4) If:
  - (a) the election is taken to have wholly failed under the relevant electoral legislation; and
  - (b) the result of the election has not been declared or otherwise publicly announced by an entity authorised under the relevant electoral legislation;the individual stops being an \*independent candidate in that election when candidates for the replacement election are declared or otherwise publicly announced by an entity authorised under the relevant electoral legislation.

### **30-245 When an individual is an independent member**

- (1) An individual is an ***independent member*** of the Commonwealth Parliament, a State Parliament, the Legislative Assembly of the Northern Territory or the Legislative Assembly for the Australian Capital Territory if the individual:
  - (a) is a member of that Parliament or Legislative Assembly; and
  - (b) the individual is not a member of a political party that is registered under Part XI of the *Commonwealth Electoral Act 1918* or under corresponding State or Territory legislation.
- (2) An individual who becomes a member as a result of an election (including an election that is later declared void) is taken to start

Section 30-246

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being a member of the Parliament or Legislative Assembly when the individual's election as a member is declared or otherwise publicly announced by an entity authorised under the relevant electoral legislation.

**Subdivision 30-DB—Spreading certain gift and covenant deductions over up to 5 income years**

**Guide to Subdivision 30-DB**

**30-246 What this Subdivision is about**

This Subdivision allows you to elect to spread deductions for certain gifts and covenants over up to 5 income years. There are some different requirements for environmental, heritage and cultural property gifts and conservation covenants.

**Table of sections**

**Operative provisions**

30-247	Gifts and covenants for which elections can be made
30-248	Making an election
30-249	Effect of election
30-249A	Requirements—environmental property gifts
30-249B	Requirements—heritage property gifts
30-249D	Requirements—conservation covenants

**Operative provisions**

**30-247 Gifts and covenants for which elections can be made**

- (1) An election under this Subdivision may be made for a gift, made on or after 1 July 2003, that is:
- (a) a gift of:
    - (i) money; or

- (ii) property valued by the Commissioner at more than \$5,000;  
made to a fund, authority or institution covered by item 1 or 2 of the table in section 30-15; or
  - (b) a gift that is covered by item 4, 5 or 6 of the table in section 30-15.
- (2) An election under this Subdivision may also be made for entering into a \*conservation covenant, under Division 31, on or after 1 July 2003.

### **30-248 Making an election**

- (1) If you can deduct an amount:
- (a) under this Division for a gift covered by subsection 30-247(1); or
  - (b) under Division 31 for entering into a \*conservation covenant covered by subsection 30-247(2);
- you may make a written election to spread that deduction over the current income year and up to 4 of the immediately following income years.
- (2) In the election, you must specify the percentage (if any) of the deduction that you will deduct in each of the income years.
- (3) You must make the election before you lodge your \*income tax return for the income year in which you made the gift or entered into the covenant.
- (4) You may vary an election at any time. However, the variation can only change the percentage that you will deduct in respect of income years for which you have not yet lodged an \*income tax return.
- (5) Unless section 30-249A or 30-249B applies, the election and any variation must be in the \*approved form.

Note: Sections 30-249A and 30-249B provide for the form of elections and variations for gifts covered by those sections.

Section 30-249

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**30-249 Effect of election**

- (1) In each of the income years you specified in the election, you can deduct the amount corresponding to the percentage you specified for that year.
- (2) You cannot deduct the amount that you otherwise would have been able to deduct for the gift in the income year in which you made the gift or entered into the covenant.

**30-249A Requirements—environmental property gifts**

- (1) This section applies if you make an election for a gift of property made to a fund, authority or institution covered by section 30-55.
- (2) You must give a copy of the election to the \*Environment Secretary before you lodge your \*income tax return for the income year in which you made the gift.
- (3) If you vary the election, you must give a copy of the variation to the \*Environment Secretary before you lodge your \*income tax return for the first income year to which the variation applies.
- (4) The election and any variation must be in a form approved in writing by the \*Environment Secretary.

**30-249B Requirements—heritage property gifts**

- (1) This section applies if you make an election for a gift of property made to a fund, authority or institution covered by item 6 of the table in section 30-15.
- (2) You must give a copy of the election to the \*Heritage Secretary before you lodge your \*income tax return for the income year in which you made the gift.
- (3) If you vary the election, you must give a copy of the variation to the \*Heritage Secretary before you lodge your \*income tax return for the first income year to which the variation applies.

- (4) The election and any variation must be in a form approved in writing by the \*Heritage Secretary.

### **30-249D Requirements—conservation covenants**

- (1) This section applies if you make an election for a \*conservation covenant.
- (2) You must give a copy of the election to the \*Environment Secretary before you lodge your \*income tax return for the income year in which you entered the covenant.
- (3) If you vary the election, you must give a copy of the variation to the \*Environment Secretary before you lodge your \*income tax return for the first income year to which the variation applies.

### **Subdivision 30-E—Register of environmental organisations**

#### **Guide to Subdivision 30-E**

#### **30-250 What this Subdivision is about**

This Subdivision requires the establishment of a register of environmental organisations. Section 30-15 allows you to deduct a gift that you make to a fund that is on the register.

#### **Table of sections**

##### **Operative provisions**

30-255	Establishing the register
30-260	Meaning of <i>environmental organisation</i>
30-265	Its principal purpose must be protecting the environment
30-270	Other requirements it must satisfy
30-275	Further requirement for a body corporate or a co-operative society
30-280	What must be on the register
30-285	Removal from the register

Section 30-255

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## Operative provisions

### 30-255 Establishing the register

The \*Environment Secretary must keep a register of \*environmental organisations.

Note: Section 30-280 sets out what details must be entered on the register.

### 30-260 Meaning of *environmental organisation*

An *environmental organisation* is an entity that meets the following criteria:

- (a) the entity satisfies each requirement in sections 30-265 and 30-270;
- (b) the entity is a \*registered charity or an \*Australian government agency.

Note: A body corporate or a cooperative society must satisfy a further requirement: see section 30-275.

### 30-265 Its principal purpose must be protecting the environment

- (1) Its principal purpose must be:
  - (a) the protection and enhancement of the natural environment or of a significant aspect of the natural environment; or
  - (b) the provision of information or education, or the carrying on of research, about the natural environment or a significant aspect of the natural environment.
- (2) It must maintain a public fund that meets the requirements of section 30-130, or would meet those requirements if the \*environmental organisation were a fund, authority or institution.
- (4) It must have agreed to comply with any rules that the Minister and the \*Environment Minister make to ensure that gifts made to the fund are used only for its principal purpose.

### **30-270 Other requirements it must satisfy**

*No payment of profits to its members*

- (1) It must not pay any of its profits or financial surplus, or give any of its property, to its members, beneficiaries, controllers or owners (as appropriate).

*No acting as a conduit*

- (2) It must have a policy of not acting as a mere conduit for the donation of money or property to other organisations, bodies or persons.

*Surplus assets to be transferred on winding up*

- (3) It must have rules providing that, if the public fund is wound up, any surplus assets of the fund are to be transferred to another fund that is on the register.

*Statistical information to be provided*

- (4) It must have agreed to give the \*Environment Secretary, within a reasonable period after the end of each income year, statistical information about gifts made to the public fund during that income year.

### **30-275 Further requirement for a body corporate or a co-operative society**

A body corporate (except a statutory authority) or a co-operative society is an ***environmental organisation*** only if:

- (a) its membership consists principally of bodies corporate; or  
(b) it has at least 50 members who are individuals that are:  
(i) regarded as financial members; and  
(ii) entitled to vote at a general meeting of it; or

Section 30-280

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- (c) the \*Environment Minister has determined that, because of special circumstances, it does not have to meet either of the requirements in paragraph (a) or (b).

**30-280 What must be on the register**

- (1) The \*Environment Secretary must enter on the register each \*environmental organisation, and the public fund it maintains, that he or she has been directed to enter by the Minister and the \*Environment Minister.
- (2) The Minister and the \*Environment Minister may so direct the Secretary only if the Environment Minister has notified the Minister that he or she is satisfied that an organisation is an \*environmental organisation. The notification must be in writing.
- (3) The direction must be in writing and must specify the day on which the organisation and public fund are to be entered on the register. The day must be the day on which the direction is given or a later day.
- (4) The Minister and the \*Environment Minister must have regard to the policies and budgetary priorities of the Commonwealth Government in deciding whether to give a direction.

**30-285 Removal from the register**

- (1) The Minister and the \*Environment Minister may direct the \*Environment Secretary to remove an \*environmental organisation, and the public fund it maintains, from the register.
- (2) The direction must be in writing and must specify the day on which the organisation and public fund are to be removed from the register. The day must be the day on which the direction is given or a later day.



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## Subdivision 30-EA—Register of harm prevention charities

### Guide to Subdivision 30-EA

#### 30-286 What this Subdivision is about

This Subdivision requires the establishment of a register of harm prevention charities. Section 30-15 allows you to deduct a gift that you make to a fund that is on the register.

#### Table of sections

##### Operative provisions

30-287	Establishing the register
30-288	Meaning of <i>harm prevention charity</i>
30-289	Principal activity—promoting the prevention or control of harm or abuse
30-289A	Other requirements
30-289B	What must be on the register
30-289C	Removal from the register

#### Operative provisions

##### 30-287 Establishing the register

The \*Families Secretary must keep a register of \*harm prevention charities.

Note: Section 30-289B sets out what details must be entered on the register.

##### 30-288 Meaning of *harm prevention charity*

A *harm prevention charity* is an institution that:

- (a) satisfies each requirement in sections 30-289 and 30-289A;  
and
- (aa) is a \*registered charity; and
- (b) is endorsed as exempt from income tax under Subdivision 50-B.

Section 30-289

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**30-289 Principal activity—promoting the prevention or control of harm or abuse**

- (1) The principal activity of the institution must be the promotion of the prevention or the control of \*behaviour that is harmful or abusive to human beings.
- (2) It must maintain a public fund that meets the requirements of section 30-130.
- (4) It must have agreed to comply with any rules that the Minister and the \*Families Minister make to ensure that gifts made to the fund are used only for its principal activity.

**30-289A Other requirements**

*No acting as a conduit*

- (1) The institution must have a policy of not acting as a mere conduit for the donation of money or property to other organisations, bodies or persons.

*Surplus assets to be transferred on winding up*

- (2) It must have rules providing that, if the public fund is wound up, any surplus assets of the fund are to be transferred to another fund that is on the register.

*Statistical information to be provided*

- (3) It must have agreed to give the \*Families Secretary, within a reasonable period after the end of each income year, statistical information about gifts made to the public fund during that income year.

**30-289B What must be on the register**

- (1) The \*Families Secretary must enter on the register each \*harm prevention charity, and the public fund it maintains, that he or she

Section 30-289C

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has been directed to enter by the Minister and the \*Families Minister.

- (2) The Minister and the \*Families Minister may so direct the Secretary only if the Families Minister has notified the Minister that he or she is satisfied that an institution is a \*harm prevention charity. The notification must be in writing.
- (3) The direction must be in writing and must specify the day on which the charity and public fund are to be entered on the register. The day must be the day on which the direction is given or a later day.
- (4) The Minister and the \*Families Minister must have regard to the policies and budgetary priorities of the Commonwealth Government in deciding whether to give a direction.

**30-289C Removal from the register**

- (1) The Minister and the \*Families Minister may direct the \*Families Secretary to remove a \*harm prevention charity, and the public fund it maintains, from the register.
- (2) The direction must be in writing and must specify the day on which the charity and public fund are to be removed from the register. The day must be the day on which the direction is given or a later day.

**Subdivision 30-F—Register of cultural organisations**

**Guide to Subdivision 30-F**

**30-290 What this Subdivision is about**

This Subdivision requires the establishment of a register of cultural organisations. Section 30-15 allows you to deduct a gift that you make to a fund that is on the register.

Section 30-295

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**Table of sections**

**Operative provisions**

30-295	Establishing the register
30-300	Meaning of <i>cultural organisation</i>
30-305	What must be on the register
30-310	Removal from the register

**Operative provisions**

**30-295 Establishing the register**

The \*Arts Secretary must keep a register of \*cultural organisations.

Note: Section 30-305 sets out what details must be entered on the register.

**30-300 Meaning of *cultural organisation***

- (1) A ***cultural organisation*** is a \*registered charity, or an \*Australian government agency, that satisfies each requirement in this section.
- (2) Its principal purpose must be the promotion of literature, music, a performing art, a visual art, a craft, design, film, video, television, radio, community arts, arts or languages of \*Indigenous persons or movable cultural heritage.
- (3) It must maintain a public fund that meets the requirements of section 30-130, or would meet those requirements if the \*cultural organisation were a fund, authority or institution.
- (5) It must not pay any of its profits or financial surplus, or give any of its property, to its members, beneficiaries, controllers or owners (as appropriate).
- (6) It must have agreed to comply with any rules that the Minister and the \*Arts Minister make to ensure that gifts made to the fund are used only for its principal purpose.

- (7) It must have agreed to give the \*Arts Secretary, at intervals of 6 months, statistical information about gifts made to the public fund during the last 6 months.

### **30-305 What must be on the register**

- (1) The \*Arts Secretary must enter on the register each \*cultural organisation, and the public fund it maintains, that he or she has been directed to enter by the Minister and the \*Arts Minister.
- (2) The Minister and the \*Arts Minister may so direct the Secretary only if the Arts Minister has notified the Minister that he or she is satisfied that an organisation is a \*cultural organisation. The notification must be in writing.
- (3) The direction must be in writing and must specify the day on which the organisation and public fund are to be entered on the register. The day must be the day on which the direction is given or a later day.
- (4) The Minister and the \*Arts Minister must have regard to the policies and budgetary priorities of the Commonwealth Government in deciding whether to give a direction.

### **30-310 Removal from the register**

- (1) The Minister and the \*Arts Minister may direct the \*Arts Secretary to remove a \*cultural organisation, and the public fund it maintains, from the register.
- (2) The direction must be in writing and must specify the day on which the organisation and public fund are to be removed from the register. The day must be the day on which the direction is given or a later day.

## **Subdivision 30-G—Index to this Division**

### **Table of sections**

30-315 Index

---

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

**Section 30-315**

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30-320 Effect of this Subdivision

**30-315 Index**

- (1) The table in this section gives you an index to this Division.  
(2) It tells you:

- each topic covered by this Division; and
- where in this Division you can find the detail about each topic.

Note: In the last column there are many references in this form: item 2.2.1. These refer to items in the tables in Subdivision 30-B.

<b>Index</b>		
<b>Topic</b>		<b>Provision</b>
1A	2009 Victorian Bushfire Appeal Trust Account	item 4.2.41
1AAA	2017 Bourke Street Fund Trust Account	item 4.2.43
1AA	Aboriginal Education Council (N.S.W.) Incorporated	item 2.2.26
1	Academies - professional	section 30-25
2	Academy of the Social Sciences in Australia Incorporated	item 2.2.1
2AAA	ACT Playgroups Association Incorporated	item 8.2.9
2AAB	ACT Region Crime Stoppers Limited	item 4.2.31A
2ACB	Alliance for Journalists' Freedom Ltd	item 4.2.49
2AD	American Australian Association Limited	item 9.2.18
3	Amnesty International Australia	item 4.2.1
3A	Amy Gillett Foundation	item 10.2.8
4	Ancillary funds	item 2 of the table in section 30-15
4AA	Andy Thomas Space Foundation Limited	item 2.2.51
4A	Animal welfare	item 4.1.6

Section 30-315

<b>Index</b>		
<b>Topic</b>	<b>Provision</b>	
5	Anzac Centenary Public Fund	item 5.2.31
6	Approved research institutes	item 3.1.1
7	Armed forces, auxiliaries	item 5.1.2
8	Artbank	item 5 of the table in section 30-15
9	Art galleries	items 12.1.4 and 12.1.5; item 4 of the table in section 30-15
9AA	Asia Society AustralAsia Centre	item 9.2.7
9AAA	Aurora Education Foundation Limited	item 2.2.5
9AB	Australasian College for Emergency Medicine	item 1.2.18
9AC	Australasian College of Dermatologists	item 1.2.20
9A	Australia for UNHCR	item 9.2.10
9B	Australia Foundation in support of Human Rights Watch Limited	item 9.2.11
9C	Australian Academy of Law	item 2.2.49
10	Australian Academy of Science	item 2.2.2
11	Australian Academy of Technological Sciences and Engineering Limited	item 2.2.4
12	Australian Academy of the Humanities for the Advancement of Scholarship in Language, Literature, History, Philosophy and the Fine Arts	item 2.2.3
13A	Australian American Education Leadership Foundation Limited	item 9.2.4
14	Australiana Fund	item 12.2.1; item 4 of the table in section 30-15
15	Australian and New Zealand Association for the Advancement of Science	item 2.2.6
16	Australian and New Zealand College of Anaesthetists	item 1.2.13

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-315

<b>Index</b>		
<b>Topic</b>		<b>Provision</b>
17	Australian Antarctic Territory, payment to Commonwealth for research	item 3.2.3
17AAAA	Australian Associated Press Ltd	item 13.2.29
17AAA	Australian Breastfeeding Association	item 8.2.3
17A	Australian Business Register	section 30-229
17B	Australian Business Week Limited	item 7.2.5
20	Australian Conservation Foundation Incorporated	item 6.2.1
20A	Australian Council of Christians and Jews	item 2.2.17
21	Australian Council of Social Service Incorporated	item 4.2.15
21AA	Australian Future Leaders Foundation Limited	item 2.2.54
21A	Australian Human Rights Education Fund	item 2.2.25
22	Australian Institute of International Affairs	item 9.2.1
23	Australian Ireland Fund Limited	item 11.2.12
24	Australian Neighbourhood Houses & Centres Association (ANHCA) Inc.	item 4.2.8
24A	Australian Nuffield Farming Scholars Association	item 2.2.20
24C	Australian Philanthropic Services Limited	item 11.2.10
25A	Australian Primary Principals Association Education Foundation	item 2.2.22
25B	Australian Schools Plus Ltd	item 2.2.43
26	Australian Science Innovations Incorporated	item 2.2.44
27	Australian Sports Foundation	item 10.2.1
27AAAA	Australian Sports Foundation Charitable Fund	item 10.2.9
27AAA	Australian Volunteers Support Trust	item 4.2.45
27AAB	Australian Women Donors Network	item 11.2.11
28AA	Bradman Memorial Fund	item 10.2.7



<b>Index</b>		
<b>Topic</b>		<b>Provision</b>
28AC	Cambridge Australia Scholarships Limited	item 9.2.27
29	Cancer Australia	item 1.2.19
29A	Centre For Entrepreneurial Research and Innovation Limited	item 3.2.15
30	Centre for Independent Studies	item 3.2.1
30AA	C E W Bean Foundation	item 12.2.6
30A	Charlie Perkins Scholarship Trust	item 2.2.39
30B	Chifley Research Centre Limited	item 3.2.8
31	Child Accident Prevention Foundation of Australia	item 4.2.2
31B	Clontarf Foundation	item 2.2.32
33	College buildings	item 2.1.10
34	College of Intensive Care Medicine of Australia and New Zealand	item 1.2.21
34AA	Commonwealth Study Conferences (Australia) Incorporated	item 2.2.23
34AB	Community sheds	section 30-20
34A	Community Rebuilding Trust	item 4.2.46
35	Conditional gifts	section 30-220
36	Connellan Airways Trust	item 11.2.1
37	Conservation bodies	section 30-55
38	Conversation Trust	item 2.2.42
39	Council for Christian Education in Schools	item 2.2.10
39A	Council for Jewish Community Security	item 13.2.1
40	Council for Jewish Education in Schools	item 2.2.11
40A	Country Education Foundation of Australia Limited	item 2.2.31
40AA	Creative Partnerships Australia Ltd	item 12.2.2
40B	Crime Stoppers South Australia Limited	item 4.2.27
40C	Crime Stoppers Northern Territory Program	item 4.2.31

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-315

<b>Index</b>		
<b>Topic</b>		<b>Provision</b>
42	Cultural organisations	section 30-100
43	Cultural organisations, register of	Subdivision 30-F
44	Defence organisations	section 30-50
44AAA	Diplomacy Training Program Limited	item 9.2.21
44AA	Disaster relief—public fund for relief of people in Australia	item 4.1.5
44AB	Disaster relief—public fund for relief of people in developing countries	item 9.1.1
44AC	Disaster relief—public fund for relief of people in developed countries	item 9.1.2
44A	Diseases—charitable institutions whose principal activity is to promote the prevention or the control of diseases in human beings	items 1.1.6 and 4.1.7
45	Diseases—institutions researching causes, prevention or cure	items 1.1.4 and 1.1.5
45AAA	Don Chipp Foundation Ltd	item 3.2.9
45A	Dymocks Children’s Charities Limited	item 2.2.21
46	Education—education bodies	section 30-25
46AA	Education—public fund for scholarships, bursaries and prizes	item 2.1.13
46A	Endorsement as a deductible gift recipient	Subdivision 30-BA
47	Environmental organisations	section 30-55
48	Environmental organisations, register of	Subdivision 30-E
48AAA	Ethics Centre Limited	item 3.2.14
48AA	Ethics education	section 30-25
48A	Family and child mediation and counselling	item 8.1.1
49	Family organisations	section 30-70
49B	Fire and emergency services	section 30-102
49C	Foundation 1901 Limited	item 13.2.23
49D	Foundation Broken Hill Limited	item 11.2.13

Section 30-315

<b>Index</b>		
<b>Topic</b>	<b>Provision</b>	
50	Foundation for Development Cooperation Ltd	item 9.2.3
50B	Foundation for Rural and Regional Renewal Public Fund	item 13.2.2
50C	Foundation for Young Australians	item 11.2.8
50D	Friends of Myall Creek Memorial Incorporated	item 13.2.25
51	Friends of the Duke of Edinburgh's Award in Australia Incorporated	item 11.2.2
51AA	Fund-raising events—contributions	items 7 and 8 of the table in section 30-15
51A	General Sir John Monash Foundation	item 2.2.27
52	Global Foundation	item 9.2.8
52AA	Governor Phillip International Scholarship Trust	item 2.2.47
52B	Great Synagogue Foundation	item 13.2.28
52BA	Greek Orthodox Archdiocese of Australia Consolidated Trust Cathedral of the Annunciation of our Lady Restoration Fund	item 13.2.31
52C	Greek Orthodox Community Of New South Wales Ltd	item 13.2.30
53	Greening Australia Limited	item 6.2.2
53AA	Green Institute Limited	item 3.2.12
53A	Girl Guides Australia	items 10.2.2 and 10.2.3
53B	Harm prevention charities	items 4.1.4 and 4.1.7
53C	Headstone Project (Tas) Inc.	item 5.2.35
54	Health organisations	section 30-20
56	Heritage properties	item 6 of the table in section 30-15
56A	High Resolves	item 2.2.48
57	Higher education institutions	item 2.1.3
58	Hospitals	items 1.1.1, 1.1.2 and

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-315

<b>Index</b>		
<b>Topic</b>		<b>Provision</b>
		1.1.3
60	Ian Clunies Ross Memorial Foundation	item 3.2.2
62	Industry, trade and design	section 30-65
63	International affairs	section 30-80
63AA	International Jewish Relief Limited	item 9.2.26
63A	International Social Service - Australian Branch	item 4.2.28
63B	International Specialised Skills Institute Incorporated	item 2.2.33
64	Joint ownership of property	section 30-225
64AA	Judith Neilson Institute for Journalism and Ideas	item 2.2.52
64A	Kidsafe	items 4.2.32 to 4.2.39 (inclusive)
65	Landcare Australia Limited	item 6.2.3
65AA	Layne Beachley - Aim for the Stars Foundation Limited	item 13.2.4
65A	Leeuwin Ocean Adventure Foundation Limited	item 13.2.3A
66	Libraries	items 12.1.2 and 12.1.5; item 4 of the table in section 30-15
67	Life Education Centre	items 2.2.8 and 2.2.9
67A	Lingiari Policy Centre	item 3.2.10
68	Lionel Murphy Foundation	item 2.2.13
68A	Lord Mayor's Charitable Foundation	item 13.2.32
68AA	Lord Somers Camp and Power House	item 13.2.7
68AB	Lowy Institute for International Policy	item 9.2.12
68B	Make a Mark Australia Incorporated	item 9.2.14
69	Marcus Oldham Farm Management College	item 2.2.14
70	Marriage education organisations	item 8.1.1

Section 30-315

<b>Index</b>		
<b>Topic</b>	<b>Provision</b>	
70A	Mawson's Huts Foundation Limited	item 6.2.23
71	Medical colleges	section 30-20
72	Medical research	section 30-20
72AAA	Melbourne Korean War Memorial Committee Incorporated	item 5.2.34
72A	Menzies Research Centre Public Fund	item 3.2.4
72B	Minderoo Foundation Trust	item 13.2.21
72BA	Motherless Daughters Australia Limited	item 4.2.47
72C	Mt Eliza Graduate School of Business and Government Limited	item 2.2.24
73	Museums	items 12.1.3 and 12.1.5; item 4 of the table in section 30-15
73AAAA	National Apology Foundation Ltd	item 13.2.22
73AAA	National Arboretum Canberra Fund	item 12.2.4
73B	National Congress of Australia's First Peoples Limited	item 4.2.42
74	National Foundation for Australian Women Limited	item 4.2.3
75	National Parks associations	section 30-55
76	National Safety Council of Australia Limited	item 4.2.4
77	National Trust bodies	section 30-55; item 6 of the table in section 30-15
77A	Nature Foundation Limited	item 6.2.9
78	Nature organisations	section 30-55
79	Necessitous circumstances - funds for relief of	item 4.1.3
79A	Neighbourhood Watch Australasia Limited	item 4.2.48
80	New South Wales College of Nursing	item 1.2.5
82	Overseas relief funds	item 9.1.1
82A	Page Research Centre Limited	item 3.2.7

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-315

<b>Index</b>		
<b>Topic</b>		<b>Provision</b>
83	Paul Ramsay Foundation Limited	item 13.2.24
84	People in need, fund for	item 4.1.3
84A	Perth Korean War Memorial Committee Incorporated	item 5.2.37
85	Philanthropic trusts	section 30-95
85A	Philanthropy Australia Inc.	item 13.2.19
86	Playford Memorial Trust	item 11.2.4
86A	Playgroup Association Northern Territory Incorporated	item 8.2.8
86AA	Playgroup Australia Limited	item 8.2.12
86B	Playgroup NSW (Inc)	item 8.2.4
86C	Playgroup Queensland Ltd	item 8.2.6
86CA	Playgroup SA Inc	item 8.2.11
86D	Playgroup Tasmania Inc	item 8.2.7
86DA	Playgroup Victoria Inc.	item 8.2.10
86E	Playgroup WA (Inc)	item 8.2.5
87	Political parties and independent candidates and members	Subdivision 30-DA
88	Polly Farmer Foundation (Inc)	item 2.2.16
89	Prevention of cruelty to animals	section 30-45
89A	Prince's Trust Australia Limited	item 13.2.20
90	Productivity	section 30-65
92	Property, rules for valuing gifts	section 30-15 and Subdivision 30-C
92A	Public ambulance services	items 1.1.7 and 1.1.8
93	Public benevolent institutions	items 4.1.1, 4.1.2 and 4.1.7
94AA	Q Foundation Trust	item 2.2.46
94AAA	Ramsay Centre for Western Civilisation Limited	item 2.2.55

Section 30-315

<b>Index</b>		
<b>Topic</b>	<b>Provision</b>	
94AB	Ranfurly Library Service Incorporated	item 12.2.3
94AC	RAS Foundation Limited	item 13.2.27
94A	Receipts for gifts	Subdivision 30-CA
94B	Reconciliation Australia Limited	item 4.2.19
95	Religious instruction/education	section 30-25
95A	Research Australia Limited	item 3.2.6
96	Research institutions	items 1.1.4 and 1.1.5
97	Residential education institutions	section 30-25
97AAA	Rhodes Trust in Australia	item 9.2.25
97AA	Roberta Sykes Indigenous Education Foundation	item 2.2.40
97A	Royal Australian and New Zealand College of Obstetricians and Gynaecologists	item 1.2.1
97B	Royal Australian and New Zealand College of Ophthalmologists	item 1.2.22
98	Royal Australian and New Zealand College of Psychiatrists	item 1.2.6
98A	Royal Australian and New Zealand College of Radiologists	item 1.2.4
99	Royal Australian College of General Practitioners	item 1.2.7
100	Royal Australasian College of Physicians	item 1.2.8
101	Royal Australasian College of Surgeons	item 1.2.9
102	Royal College of Nursing, Australia	item 1.2.12
103	Royal College of Pathologists of Australasia	item 1.2.10
103AA	Royal Humane Society of New South Wales Incorporated	item 13.2.33
103A	Royal Institution of Australia Incorporated	item 2.2.37
104	Royal Societies for the Prevention of Cruelty to Animals	section 30-45
104B	RSL Foundation	item 5.2.11

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 30** Gifts or contributions

Section 30-315

<b>Index</b>		
<b>Topic</b>		<b>Provision</b>
105	Rural school hostel buildings	item 2.1.11
106	Samuel Griffith Society Inc.	item 3.2.16
107	School building funds	item 2.1.10
108	Schools	section 30-25
109	Scouts	items 10.2.4 and 10.2.5
110A	Sir Earl Page Memorial Trust	item 3.2.5
111	Sir Robert Menzies Memorial Trust Foundation Limited	item 11.2.5
111AA	Sir William Tyree Foundation	item 2.2.18
111AB	Smile Like Drake Foundation Limited	item 2.2.45
111AC	Social Traders Ltd	item 13.2.5
111A	Social Ventures Australia Limited	item 13.2.16
111B	SouthCare Helicopter Fund	item 1.2.14
111C	Spirit of Australia Foundation	item 2.2.36
112	Sports and recreation	section 30-90
112AA	Spreading deductions over income years	Subdivision 30-DB
112AFA	SU Australia Ministries Limited	item 2.2.53
112AG	Superannuation Consumers' Centre Ltd	item 2.2.50
112B	Sydney Chevra Kadisha	item 12.2.5
112C	Sydney Talmudical College Association Refugees Overseas Aid Fund	item 9.2.5
113	Tasmanian Conservation Trust Incorporated	item 6.2.11
114	Taxation incentives for the Arts scheme	items 4 and 5 of the table in section 30-15
114A	Teach for Australia	item 2.2.41
115	Technical and further education institution	item 2.1.7
116	Tertiary education/TAFE	section 30-25
116AA	Toy Libraries Australia Inc.	item 13.2.26
116A	Trust for Nature (Victoria)	item 6.2.6



Section 30-320

---

<b>Index</b>		
<b>Topic</b>		<b>Provision</b>
117	Trusts—ancillary	item 2 of the table in section 30-15
118	Trusts—philanthropic	section 30-95
118A	United Israel Appeal Refugee Relief Fund Limited	item 9.2.6
118B	United States Studies Centre	item 3.2.13
118C	United Way Australia	item 4.2.5
119	Universities – general	section 30-25
120	Universities – research	section 30-40
120A	Valuations by Commissioner	section 30-212
121	Valuers	section 30-210
121A	Victorian Crime Stoppers Program	item 4.2.29
121B	Victorian Pride Centre Ltd	item 4.2.44
121C	Virtual War Memorial Limited	item 5.2.36
122	Visy Cares	item 11.2.9
123	War Memorials	section 30-50
124	Welfare and rights	section 30-45
125	Winston Churchill Memorial Trust	item 11.2.7
126	WorldSkills Australia	item 7.2.3
127	World Wide Fund for Nature Australia	item 6.2.22
128	Young Endeavour Youth Scheme Public Fund	item 13.2.3
129	Youthsafe	item 4.2.50

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### **30-320 Effect of this Subdivision**

This Subdivision is a \*Guide.

Note: In interpreting an operative provision, a Guide may be considered only for limited purposes: see section 950-150.

## **Division 31—Conservation covenants**

### **Guide to Division 31**

#### **31-1 What this Division is about**

You can deduct an amount if you enter into a conservation covenant over land that you own and you satisfy certain conditions.

The amount you can deduct is the difference between the market value of the land just before and after you enter into the covenant.

#### **Table of sections**

##### **Operative provisions**

31-5	Deduction for entering into conservation covenant
31-10	Requirements for fund, authority or institution
31-15	Valuations by the Commissioner

#### **Operative provisions**

##### **31-5 Deduction for entering into conservation covenant**

- (1) You can deduct an amount if:
  - (a) you enter into a \*conservation covenant over land you own;  
and
  - (b) the conditions set out in subsection (2) are met.
- (2) These conditions must be satisfied:
  - (a) the covenant must be perpetual;
  - (b) you must not receive any money, property or other material benefit for entering into the covenant;
  - (c) the \*market value of the land must decrease as a result of your entering into the covenant;

- (d) one or both of these must apply:
- (i) the change in the market value of the land as a result of entering into the covenant must be more than \$5,000;
  - (ii) you must have entered into a contract to acquire the land not more than 12 months before you entered into the covenant;
- (e) the covenant must have been entered into with:
- (i) a fund, authority or institution that meets the requirements of section 31-10; or
  - (ii) the Commonwealth, a State, a Territory or a \*local governing body; or
  - (iii) an authority of the Commonwealth, a State or a Territory.

Note: You must seek a valuation of the change in market value from the Commissioner: see section 31-15.

- (3) The amount you can deduct is the difference between the \*market value of the land just before you entered the covenant and its decreased market value just after that time, but only to the extent that the decrease is attributable to your entering into the covenant.

Note: You can spread the deduction over a 5 year period: see Subdivision 30-DB.

- (4) For the purposes of paragraph (2)(a), a covenant is treated as being perpetual even if a Minister of a State or Territory has a power to rescind it.
- (5) A **conservation covenant** over land is a covenant that:
- (a) restricts or prohibits certain activities on the land that could degrade the environmental value of the land; and
  - (b) is permanent and registered on the title to the land (if registration is possible); and
  - (c) is approved in writing by, or is entered into under a program approved in writing by, the \*Environment Minister.

Section 31-10

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**31-10 Requirements for fund, authority or institution**

- (1) The fund, authority or institution:
  - (a) must be covered by an item in any of the tables in Subdivision 30-B and must meet any conditions set out in the relevant table item; or
  - (b) must be an \*ancillary fund established under a will or instrument of trust solely for:
    - (i) the purpose of providing money, property or benefits to a fund, authority or institution mentioned in paragraph (a) and for any purposes set out in the item of the table in Subdivision 30-B that covers the fund, authority or institution; or
    - (ii) the establishment of such a fund, authority or institution.
- (2) If the fund, authority or institution is not listed specifically in Subdivision 30-B, it must also:
  - (a) be in Australia; and
  - (b) meet the requirements of section 30-17 (about the endorsement of deductible gift recipients).

**31-15 Valuations by the Commissioner**

- (1) You must seek a valuation of the change in the \*market value of the land from the Commissioner for the purposes of this Division.
- (2) The Commissioner may charge you the amount worked out in accordance with the regulations for making the valuation.

## **Division 32—Entertainment expenses**

### **Table of Subdivisions**

	Guide to Division 32
32-A	No deduction for entertainment expenses
32-B	Exceptions
32-C	Definitions relevant to the exceptions
32-D	In-house dining facilities (employer expenses table item 1.2)
32-E	Anti-avoidance
32-F	Special rules for companies and partnerships

### **Guide to Division 32**

#### **32-1 What this Division is about**

You cannot deduct costs of providing entertainment. Nor can you deduct amounts for property that you use for providing entertainment. But there are exceptions.

#### **Subdivision 32-A—No deduction for entertainment expenses**

##### **Table of sections**

32-5	No deduction for entertainment expenses
32-10	Meaning of <i>entertainment</i>
32-15	No deduction for property used for providing entertainment

#### **32-5 No deduction for entertainment expenses**

To the extent that you incur a loss or outgoing in respect of providing \*entertainment, you cannot deduct it under section 8-1. However, there are exceptions, which are set out in Subdivision 32-B.

## Section 32-10

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- Note 1: Under section 8-1 you can deduct a loss or outgoing that you incur for the purpose of producing assessable income.
- Note 2: If you have used your property in providing entertainment, you may not be able to deduct an amount for the property: see section 32-15.
- Note 3: Section 32-75 deals with arrangements to avoid the operation of this section.

### **32-10** Meaning of *entertainment*

- (1) ***Entertainment*** means:
- (a) entertainment by way of food, drink or \*recreation; or
  - (b) accommodation or travel to do with providing entertainment by way of food, drink or \*recreation.
- (2) You are taken to provide ***entertainment*** even if business discussions or transactions occur.

Note: These are some examples of what is entertainment:

- business lunches
- social functions.

These are some examples of what is *not* entertainment:

- meals on business travel overnight
- theatre attendance by a critic
- a restaurant meal of a food writer.

### **32-15** No deduction for property used for providing entertainment

To the extent that you use property in providing \*entertainment, your use of the property is taken *not* to be for the \*purpose of producing assessable income if section 32-5 would stop you deducting a loss or outgoing if you incurred it in the income year in providing the entertainment.

Note: Under some provisions of this Act, in order to deduct an amount for your property, you must have used the property for the purpose of producing assessable income.

## Subdivision 32-B—Exceptions

### Table of sections

32-20	The main exception—fringe benefits
32-25	The tables set out the other exceptions
32-30	Employer expenses
32-35	Seminar expenses
32-40	Entertainment industry expenses
32-45	Promotion and advertising expenses
32-50	Other expenses

### 32-20 The main exception—fringe benefits

Section 32-5 does not stop you deducting a loss or outgoing to the extent that you incur it in respect of providing \*entertainment by way of \*providing a \*fringe benefit.

But this exception does not apply to the extent that the taxable value of the \*fringe benefit is reduced under section 63A of the *Fringe Benefits Tax Assessment Act 1986*.

Note 1: You may be able to deduct losses or outgoings that are fringe benefits under section 51AEA, 51AEB or 51AEC of the *Income Tax Assessment Act 1936*. If you do, then you cannot deduct them under section 8-1 (about general deductions) and so this section is not relevant.

Note 2: There are other exceptions for a loss or outgoing you incur in providing a benefit that would be a fringe benefit if it were not an exempt benefit: see items 1.6 and 1.7 of the table in section 32-30.

### 32-25 The tables set out the other exceptions

Section 32-5 does not stop you deducting a loss or outgoing to the extent that you incur it in respect of providing \*entertainment as described in column 2 of an item of a table in this Subdivision.

However, if column 3 of that item applies, the exception in column 2 of that item does not.

Section 32-30

**32-30 Employer expenses**

**Employer expenses**

<b>Item</b>	<b>Section 32-5 does not stop you deducting a loss or outgoing for ...</b>	<b>But the exception does not apply if ...</b>
1.1	providing food or drink to your employees in an *in-house dining facility.	the food or drink is provided at a party, reception or other social function.
1.2	providing food or drink to individuals (other than your employees) in an *in-house dining facility.	(a) you choose (under section 32-70) <i>not</i> to include in your assessable income \$30 for each meal you provide in the *in-house dining facility in the income year to an individual (other than your employee); <i>or</i> (b) the food or drink is provided at a party, reception or other social function.
1.3	providing food or drink in a *dining facility to your employees who perform most of their duties in connection with: (a) the dining facility; or (b) a facility (of which the dining facility forms a part) for providing accommodation, *recreation or travel.	the food or drink is provided at a party, reception or other social function.
1.4	providing food or drink to your employee under an *industrial instrument relating to overtime.	
1.5	providing a facility for *recreation on property you occupy, if the facility is mainly operated for your employees to use.	the facility is for: (a) accommodation; or (b) dining or drinking (unless it is a food or drink vending machine).



Section 32-30

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**Employer expenses**

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<b>Item</b>	<b>Section 32-5 does not stop you deducting a loss or outgoing for ...</b>	<b>But the exception does not apply if ...</b>
1.6	providing food or drink which would be a *fringe benefit apart from sections 54, 58, 58N, 58S and 58T of the <i>Fringe Benefits Tax Assessment Act 1986</i> (disregarding section 58P of that Act).	
1.7	providing a meal which would be a *fringe benefit apart from sections 58A, 58F, 58L, 58LA and 58M of the <i>Fringe Benefits Tax Assessment Act 1986</i> (disregarding section 58P of that Act).	
1.8	giving your employee an allowance that is included in his or her assessable income.	(a) the employee is a *relative of another employee of yours; <i>and</i> (b) you give the allowance to the relative, as your employee, because: (i) he or she provides, or facilitates providing, *entertainment to do with the other employee's employment; <i>and</i> (ii) you expect the relative to do so.

Note 1: In the case of a company, items 1.1, 1.2, 1.3, 1.5 and 1.8 cover directors of the company as if they were employees: see section 32-80.

Note 2: In the case of a company, items 1.1, 1.2, 1.3 and 1.5 cover directors, employees and property of another company that is a member of the same wholly-owned group: see section 32-85.

Note 3: Item 1.8 has a special operation for partnerships: see section 32-90.

Section 32-35

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**32-35 Seminar expenses**

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**Seminar expenses**

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<b>Item</b>	<b>Section 32-5 does not stop you deducting a loss or outgoing for ...</b>	<b>But the exception does not apply if ...</b>
2.1	providing food, drink, accommodation or travel to an individual (including yourself) that is reasonably incidental to the individual attending a *seminar that *goes for at least 4 hours.	(a) the seminar is a *business meeting; <i>or</i> (b) the *seminar's main purpose is to promote or advertise a *business (or prospective *business) or its goods or services; <i>or</i> (c) the *seminar's main purpose is to provide *entertainment at, or in connection with, the seminar.

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**32-40 Entertainment industry expenses**

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**Entertainment industry expenses**

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<b>Item</b>	<b>Section 32-5 does not stop you deducting a loss or outgoing for ...</b>	<b>But the exception does not apply if ...</b>
3.1	providing *entertainment for payment in the ordinary course of a *business that you carry on.	
3.2	providing *entertainment in performing your duties to your employer who carries on a *business that includes providing that entertainment for payment.	

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Section 32-45

### 32-45 Promotion and advertising expenses

#### Promotion and advertising expenses

Item	Section 32-5 does not stop you deducting a loss or outgoing for ...	But the exception does not apply if ...
4.1	providing *entertainment if: (a) you provide it to an individual under a contract to supply him or her with goods or services in the ordinary course of your *business; <i>and</i> (b) you incur the loss or outgoing to promote or advertise to the public your business or its goods or services.	
4.2	providing or exhibiting your *business's goods or services if you incur the loss or outgoing to promote or advertise those goods or services to the public.	
4.3	providing *entertainment to promote or advertise to the public a *business or its goods or services.	some people have a greater opportunity to get the benefits of the entertainment than ordinary members of the public have.

### 32-50 Other expenses

#### Other expenses

Item	Section 32-5 does not stop you deducting a loss or outgoing for ...	But the exception does not apply if ...
5.1	buying food or drink to do with overtime that you work, if you receive an allowance under an *industrial instrument to buy the food or drink.	

Section 32-55

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**Other expenses**

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Item	Section 32-5 does not stop you deducting a loss or outgoing for ...	But the exception does not apply if ...
5.2	providing *entertainment free to members of the public who are sick, disabled, poor or otherwise disadvantaged.	

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**Subdivision 32-C—Definitions relevant to the exceptions**

**Table of sections**

32-55	In-house dining facility (employer expenses table items 1.1 and 1.2)
32-60	Dining facility (employer expenses table item 1.3)
32-65	Seminars (seminar expenses table item 2.1)

**32-55 In-house dining facility (employer expenses table items 1.1 and 1.2)**

An *in-house dining facility* is a canteen, dining room or similar facility that:

- (a) is on property you occupy; and
- (b) is operated mainly for providing food and drink to your employees; and
- (c) is not open to the public.

Note 1: In the case of a company, this definition also covers directors of the company as if they were employees: see section 32-80.

Note 2: In the case of a company, this definition also covers directors, employees and property of another company that is a member of the same wholly-owned group: see section 32-85.

**32-60 Dining facility (employer expenses table item 1.3)**

A *dining facility* is:

- (a) a canteen, dining room or similar facility; or
  - (b) a cafe, restaurant or similar facility;
- that is on property you occupy.

Note: In the case of a company, this definition also covers property of another company that is a member of the same wholly-owned group: see section 32-85.

### 32-65 Seminars (seminar expenses table item 2.1)

- (1) **Seminar** includes a conference, convention, lecture, meeting (including a meeting for the presentation of awards), speech, “question and answer session”, training session or educational course.
- (2) In working out whether a \*seminar **goes for at least 4 hours** the following are taken not to affect the seminar’s continuity, nor to form part of it:
  - (a) any part of the seminar that occurs during a meal;
  - (b) any break during the seminar for the purpose of a meal, rest or \*recreation.
- (3) A \*seminar is a **business meeting** if its main purpose is for individuals who are (or will be) associated with the carrying on of a particular \*business to give or receive information, or discuss matters, relating to the business.

However, the \*seminar is *not* a **business meeting** if it:

- (a) is organised by (or on behalf of) an employer solely for either or both of these purposes:
  - (i) training the employer and the employer’s employees (or just those employees) in matters relevant to the employer’s \*business (or prospective \*business);
  - (ii) enabling the employer and the employer’s employees (or just those employees) to discuss general policy issues relevant to the internal management of the employer’s \*business; and
- (b) is conducted on property that is occupied by a person (other than the employer) whose \*business includes organising seminars or making property available for conducting seminars.

**Section 32-70**

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- Note 1: In the case of a company, subsection (3) covers directors of the company as if they were employees: see section 32-80.
- Note 2: In the case of a company, paragraph (3)(b) also covers property of another company that is a member of the same wholly-owned group: see section 32-85.
- Note 3: Subsection (3) has a special operation for partnerships: see section 32-90.

**Subdivision 32-D—In-house dining facilities (employer expenses table item 1.2)**

**Table of sections**

32-70 \$30 is assessable for each meal provided to non-employee in an in-house dining facility

**32-70 \$30 is assessable for each meal provided to non-employee in an in-house dining facility**

- (1) Your assessable income includes \$30 for a meal you provide in an \*in-house dining facility in the income year to an individual other than your employee, but only if:
- (a) you incur a loss or outgoing in respect of providing the meal; and
  - (b) because of item 1.2 of the table in section 32-30, section 32-5 does not stop you deducting the loss or outgoing under section 8-1 (which deals with general deductions); and
  - (c) the loss or outgoing is one that you can deduct under section 8-1 for the income year or some other income year.
- (2) However, you can choose *not* to include in your assessable income \$30 for each meal you provide in the \*in-house dining facility in the income year to an individual other than your employee.

Note: If you do choose, you cannot rely on item 1.2 of the table in section 32-30 as a basis for deducting a loss or outgoing you incur in respect of providing a meal.

- (3) You must choose by the day you lodge your \*income tax return for the income year, or within a further time allowed by the Commissioner.

### **Subdivision 32-E—Anti-avoidance**

#### **Table of sections**

32-75 Commissioner may treat you as having incurred entertainment expense

### **32-75 Commissioner may treat you as having incurred entertainment expense**

If:

- (a) you incur a loss or outgoing under an \*arrangement; and
- (b) someone provides \*entertainment under the arrangement to you or someone else; and
- (c) section 32-5 would have stopped you deducting the loss or outgoing under section 8-1 (which deals with general deductions) if you had incurred it in respect of providing that entertainment;

this Division applies to you as if you had incurred the loss or outgoing in providing that entertainment, to the extent (if any) that the Commissioner thinks reasonable.

Note: This means that section 32-5 will prevent you from deducting the loss or outgoing under section 8-1 unless an exception applies.

Example: A company pays \$1,000 to sponsor a football game. Under the same arrangement, the company is given a viewing box at the game. To the extent the Commissioner thinks reasonable, he or she can treat the company as having incurred the \$1,000 in providing entertainment.

### **Subdivision 32-F—Special rules for companies and partnerships**

#### **Table of sections**

32-80 Company directors  
32-85 Directors, employees and property of wholly-owned group company  
32-90 Partnerships

Section 32-80

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**32-80 Company directors**

In the case of a company, these provisions cover directors of the company as if they were the company's employees:

- item 1.1 (exception for \*in-house dining facilities) of the table in section 32-30;
- item 1.2 (exception for \*in-house dining facilities) of the table in section 32-30;
- item 1.3 (exception for \*dining facilities) of the table in section 32-30;
- item 1.5 (exception for recreational facilities) of the table in section 32-30;
- item 1.8 (exception for providing your employee with an allowance) of the table in section 32-30;
- section 32-55 (which defines *in-house dining facility*);
- subsection 32-65(3) (which defines *business meeting*).

**32-85 Directors, employees and property of wholly-owned group company**

*Employees and directors of group company*

(1) In the case of a company, these provisions cover directors and employees of another company that is a member of the same \*wholly-owned group as if they were the company's own directors and employees:

- item 1.1 (exception for \*in-house dining facilities) of the table in section 32-30;



- item 1.2 (exception for \*in-house dining facilities) of the table in section 32-30;
- item 1.3 (exception for \*dining facilities) of the table in section 32-30;
- item 1.5 (exception for recreational facilities) of the table in section 32-30;
- section 32-55 (which defines *in-house dining facility*);
- subsection 32-60(1) (which defines *dining facility*);
- paragraph 32-65(3)(b).

*Property occupied by group company*

- (2) Those provisions also cover property occupied by that other company as if the company occupied that property.

### **32-90 Partnerships**

In the case of a partnership:

- item 1.8 (exception for providing employee with an allowance) of the table in section 32-30; and
- subsection 32-65(3) (which defines *business meeting*);

apply to a partner in the same way as they apply to an employee of the partnership, but only for the purposes of calculating, in accordance with section 90 of the *Income Tax Assessment Act 1936*, the partnership's net income or partnership loss.

## **Division 34—Non-compulsory uniforms**

### **Table of Subdivisions**

	Guide to Division 34
34-A	Application of Division 34
34-B	Deduction for your non-compulsory uniform
34-C	Registering the design of a non-compulsory uniform
34-D	Appeals from Industry Secretary's decision
34-E	The Register of Approved Occupational Clothing
34-F	Approved occupational clothing guidelines
34-G	The Industry Secretary

### **Guide to Division 34**

#### **34-1 What this Division is about**

This Division is about deductions for the costs of non-compulsory uniforms.

#### **Table of sections**

34-3	What you need to read
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#### **34-3 What you need to read**

##### *Employees*

- (1) If you incur expenditure for your non-compulsory uniform, you need to read Subdivision 34-B (which is about deductions for your non-compulsory uniform), starting at section 34-10.

##### *Employers*

- (2) If you have people working for you who want to deduct expenditure of that kind, you need to read:

- Subdivision 34-C (which is about registering the design of a non-compulsory uniform), starting at section 34-25; and
- Subdivision 34-D (which is about appeals from Industry Secretary's decision), starting at section 34-40.

### **Subdivision 34-A—Application of Division 34**

#### **Table of sections**

34-5	This Division applies to employees and others
34-7	This Division applies to employers and others

#### **34-5 This Division applies to employees and others**

- (1) This Division applies not only to an individual who is an employee. It also applies to an individual who is *not* an employee, but who receives, or is entitled to receive, \*withholding payments covered by subsection (3).
- (2) If an individual is *not* an employee, but is covered by subsection (1), this Division applies to the individual as if:
  - (a) he or she were an employee; and
  - (b) the entity, who pays (or is liable to pay) \*withholding payments covered by subsection (3) that result in the individual being in receipt of, or entitled to receive, such payments, were the individual's employer; and
  - (c) any other individual who receives (or is entitled to receive) \*withholding payments covered by subsection (3):
    - (i) that result in that other individual being in receipt of, or entitled to receive, such payments; and
    - (ii) that the entity pays (or is liable to pay) to that other individual;  
were an employee of the entity.
- (3) This subsection covers a \*withholding payment covered by any of the provisions in Schedule 1 to the *Taxation Administration Act 1953* listed in the table.

Section 34-7

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<b>Withholding payments covered</b>		
<b>Item</b>	<b>Provision</b>	<b>Subject matter</b>
1	Section 12-40	Payment to company director
2	Section 12-45	Payment to office holder
3	Section 12-50	Return to work payment
4	Subdivision 12-D	Benefit, training and compensation payments

**34-7 This Division applies to employers and others**

If an entity is *not* an employer, but pays (or is liable to pay) \*withholding payments covered by subsection 34-5(3), this Division applies to the entity as if:

- (a) it were an employer; and
- (b) an individual to whom the entity pays (or is liable to pay) such withholding payments were the entity's employee.

**Subdivision 34-B—Deduction for your non-compulsory uniform**

**Table of sections**

34-10	What you can deduct
34-15	What is a <i>non-compulsory</i> uniform?
34-20	What are <i>occupation specific clothing</i> and <i>protective clothing</i> ?

**34-10 What you can deduct**

- (1) If you are an employee, you can deduct expenditure you incur in respect of your \*non-compulsory \*uniform if:
- (a) you can deduct the expenditure under another provision of this Act; and
  - (b) the \*design of the uniform is registered under this Division when you incur the expenditure.

Note 1: This Division also applies to individuals who are not employees: see Subdivision 34-A.

Note 2: Employers apply to register designs of uniforms: see Subdivision 34-C.

- (2) You *cannot* deduct the expenditure under this Act if the \*design is *not* registered at the time you incur the expenditure.
- (3) However, this Division does not stop you deducting expenditure you incur in respect of your \*occupation specific clothing or \*protective clothing.

### **34-15 What is a *non-compulsory* uniform?**

*What is a uniform?*

- (1) A **uniform** is one or more items of clothing (including accessories) which, when considered as a set, distinctively identify you as a person associated (directly or indirectly) with:
  - (a) your employer; or
  - (b) a group consisting of your employer and one or more of your employer's \*associates.

*When is a uniform **non-compulsory**?*

- (2) Your uniform is **non-compulsory** unless your employer consistently enforces a policy that requires you and the other employees (except temporary or relief employees) who do the same type of work as you:
  - (a) to wear the uniform when working for your employer; and
  - (b) not to substitute an item of clothing *not* included in the uniform for an item of clothing included in the uniform when working for your employer;except in special circumstances.

### **34-20 What are *occupation specific clothing* and *protective clothing*?**

- (1) **Occupation specific clothing** is clothing that distinctively identifies you as belonging to a particular profession, trade, vocation, occupation or calling. To determine this, disregard any

Section 34-20

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feature of the clothing that distinctively identifies you as a person associated (directly or indirectly) with:

- (a) your employer; or
- (b) a group consisting of your employer and one or more of your employer's \*associates.

Example: Occupation specific clothing includes a nurse's uniform, a chef's checked pants and a religious cleric's ceremonial robes.

- (2) **Protective clothing** is clothing of a kind that you mainly use to protect yourself, or someone else, from risk of:
- (a) death; or
  - (b) \*disease (including the contraction, aggravation, acceleration or recurrence of a disease); or
  - (c) injury (including the aggravation, acceleration or recurrence of an injury); or
  - (d) damage to clothing; or
  - (e) damage to an artificial limb or other artificial substitute, or to a medical, surgical or other similar aid or appliance.

Example: Protective clothing includes overalls, aprons, goggles, hard hats and safety boots, when worn to protect the wearer.

*Meaning of disease*

- (3) **Disease** includes any mental or physical ailment, disorder, defect or morbid condition, whether of sudden onset or gradual development and whether of genetic or other origin.

**Subdivision 34-C—Registering the design of a non-compulsory uniform**

**Table of sections**

34-25	Application to register the design
34-30	Industry Secretary's decision on application
34-33	Written notice of decision
34-35	When uniform becomes registered

### **34-25 Application to register the design**

- (1) The employer of an employee who has, or will have, a \*non-compulsory \*uniform can apply to the \*Industry Secretary for the \*design of the uniform to be registered.

Note: This Division also applies to entities that are not employers: see Subdivision 34-A.

#### *Meaning of **design** of a uniform*

- (2) The **design** of a \*uniform includes features such as its colouring, construction, durability, ornamentation, pattern and shape.

#### *Form of application*

- (3) The application must be:
- (a) in writing; and
  - (b) in a form approved in writing by the \*Industry Secretary; and
  - (c) accompanied by such information as the Industry Secretary requires.

### **34-30 Industry Secretary's decision on application**

#### *Industry Secretary must decide to grant or refuse application*

- (1) After considering the application, the \*Industry Secretary must decide to either grant or refuse the application.

#### *Criteria for grant of application*

- (2) The \*Industry Secretary must not decide to grant an application unless he or she is satisfied that the design meets the criteria set out in the \*approved occupational clothing guidelines.

Note: The approved occupational clothing guidelines are created under section 34-55.

Section 34-33

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*When Industry Secretary taken to have refused application*

- (3) The \*Industry Secretary is taken to have refused an application if he or she does not make a decision by the later of the following times (the *deadline*):
- (a) the end of 90 days (the *90-day period*) after the day the Industry Secretary receives the application;
  - (b) if the Industry Secretary, by written notice given to the applicant within the 90-day period, requests the applicant to give further information about the application—the end of 90 days after the Industry Secretary receives the further information.

**34-33 Written notice of decision**

- (1) If the \*Industry Secretary makes a decision to grant or refuse an application under subsection 34-30(1) before the \*deadline, the Industry Secretary must give the applicant written notice of the decision.

*Reasons for refusal*

- (2) If the notice is a notice of a decision to refuse the application, it must also set out the reasons for the refusal.

*Statements to accompany notice of decision*

- (3) The notice of the decision is to include the statements set out in subsections (4) and (5).
- (4) There must be a statement to the effect that, subject to the *Administrative Appeals Tribunal Act 1975*, an application may be made to the \*AAT, by (or on behalf of) any entity whose interests are affected by the decision, for review of the decision.
- (5) There must also be a statement to the effect that a request may be made under section 28 of that Act by (or on behalf of) such an entity for a statement:
- (a) setting out the findings on material questions of fact; and



- (b) referring to the evidence or other material on which those findings were based; and
  - (c) giving the reasons for the decision;
- except where subsection 28(4) of that Act applies.

*Failure does not affect validity*

- (6) If the \*Industry Secretary fails to comply with subsection (4) or (5), that failure does not affect the validity of his or her decision.

### **34-35 When uniform becomes registered**

If the \*Industry Secretary decides to grant the application, the \*design of the \*uniform becomes registered on:

- (a) the day the decision is made; or
- (b) if the applicant requests—such earlier day as the Industry Secretary specifies.

Note: When the design becomes registered, an entry for the design is made on the Register of Approved Occupational Clothing. Subdivision 34-E is about the Register.

### **Subdivision 34-D—Appeals from Industry Secretary’s decision**

#### **Table of sections**

34-40 Review of decisions by the Administrative Appeals Tribunal

### **34-40 Review of decisions by the Administrative Appeals Tribunal**

Applications may be made to the \*AAT for review of a decision made by the \*Industry Secretary under subsection 34-30(1).

### **Subdivision 34-E—The Register of Approved Occupational Clothing**

#### **Table of sections**

34-45 Keeping of the Register  
34-50 Changes to the Register

Section 34-45

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**34-45 Keeping of the Register**

- (1) The \*Industry Secretary must keep the Register of Approved Occupational Clothing, listing the designs that are required to be entered on the Register because of this Division.

*Register to be open for inspection*

- (2) The \*Industry Secretary must arrange for the Register to be available for inspection at any reasonable time by any person on request.

**34-50 Changes to the Register**

*Removal of registration*

- (1) The \*Industry Secretary must remove an entry for a \*design from the Register of Approved Occupational Clothing if requested to do so by the employer who applied for the design to be registered.

*Correcting errors and mistakes*

- (2) The \*Industry Secretary may correct a clerical error or an obvious mistake in an entry for a design in the Register and, if the Industry Secretary does so, the correction takes effect on the day on which the design to which the entry relates was registered.

**Subdivision 34-F—Approved occupational clothing guidelines**

**Table of sections**

34-55 Approved occupational clothing guidelines

**34-55 Approved occupational clothing guidelines**

- (1) The Minister must, by legislative instrument, formulate written guidelines (the ***approved occupational clothing guidelines***) setting out criteria that \*designs of uniforms must meet if the designs are to be registered.

*Matters to be taken into account in making guidelines*

- (2) In making \*approved occupational clothing guidelines, the matters to which the Minister is to have regard include:
- (a) how distinctively a \*uniform's \*design identifies the wearer as a person associated (directly or indirectly) with:
    - (i) the applicant for registering the uniform's design; or
    - (ii) a group consisting of the applicant and one or more of the applicant's \*associates; and
  - (b) the nature of the \*business or activities the applicant carries on.

### **Subdivision 34-G—The Industry Secretary**

#### **Table of sections**

34-60	Industry Secretary to give Commissioner information about entries
34-65	Delegation of powers by Industry Secretary

#### **34-60 Industry Secretary to give Commissioner information about entries**

The \*Industry Secretary must give the Commissioner information about entries of \*designs on the Register of Approved Occupational Clothing if the Commissioner requests him or her to do so.

#### **34-65 Delegation of powers by Industry Secretary**

The \*Industry Secretary may, by writing, delegate any or all of his or her functions and powers under this Division to a person in the \*Industry Department:

- (a) who holds or performs the duties of a \*Senior Executive Service office; or
- (b) whose classification level appears in Group 7 or 8 of Schedule 1 to the Classification Rules under the *Public Service Act 1999*; or
- (c) who is acting in a position usually occupied by a person with a classification level of the kind mentioned in paragraph (b).

## **Division 35—Deferral of losses from non-commercial business activities**

### **Guide to Division 35**

#### **35-1 What this Division is about**

This Division prevents losses of individuals from non-commercial business activities being offset against other assessable income in the year the loss is incurred. The loss is deferred.

It sets out an income requirement and a series of tests to determine whether a business activity is treated as being non-commercial.

The deferred losses may be offset in later years against profits from the activity. They may also be offset against other income if the income requirement and one of the other tests are satisfied, or if the Commissioner exercises a discretion.

#### **Table of sections**

##### **Operative provisions**

35-5	Object
35-10	Deferral of deductions from non-commercial business activities
35-15	Modification if you have exempt income
35-20	Modification if you become bankrupt
35-25	Application of Division to certain partnerships
35-30	Assessable income test
35-35	Profits test
35-40	Real property test
35-45	Other assets test
35-50	Apportionment
35-55	Commissioner's discretion

## Operative provisions

### 35-5 Object

- (1) The object of this Division is to improve the integrity of the taxation system by:
  - (a) preventing losses from non-commercial activities that are carried on as \*businesses by individuals (alone or in partnership) being offset against other assessable income; and
  - (b) preventing pre-business capital expenditure and post-business capital expenditure by individuals (alone or in partnership) in relation to non-commercial activities being deductible under section 40-880 (business related costs);unless certain exceptions apply.
- (2) This Division is not intended to apply to activities that do not constitute carrying on a \*business (for example, the receipt of income from passive investments).

### 35-10 Deferral of deductions from non-commercial business activities

- (1) The rule in subsection (2) applies for an income year to each \*business activity you carried on in that year if you are an individual, either alone or in partnership (whether or not some other entity is a member of the partnership), unless:
  - (a) you satisfy subsection (2E) for that year, and one of the tests set out in any of the following provisions is satisfied for the business activity for that year:
    - (i) section 35-30 (assessable income test);
    - (ii) section 35-35 (profits test);
    - (iii) section 35-40 (real property test);
    - (iv) section 35-45 (other assets test); or
  - (b) the Commissioner has exercised the discretion set out in section 35-55 for the business activity for that year; or
  - (c) the exception in subsection (4) applies for that year.

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 35** Deferral of losses from non-commercial business activities

**Section 35-10**

---

Note: This section covers individuals carrying on a business activity as partners, but not individuals merely in receipt of income jointly. Compare the definition of *partnership* in subsection 995-1(1).

*Rules*

(2) If the amounts attributable to the \*business activity for that income year that you could otherwise deduct under this Act for that year exceed your assessable income (if any) from the business activity for that year, or your share of it, this Act applies to you as if the excess:

- (a) were not incurred in that income year; and
- (b) were an amount attributable to the activity that you can deduct from assessable income from the activity for the next income year in which the activity is carried on.

Note 1: There are modifications of this rule if you have exempt income (see section 35-15) or you become bankrupt (see section 35-20).

Note 2: This rule does not apply if your excess is solely due to deductions under Division 41 (see section 35-10 of the *Income Tax (Transitional Provisions) Act 1997*).

Example: Jennifer has a salaried job, and she also carries on a business activity consisting of selling lingerie.

Jennifer starts that activity on 1 July 2002, and for the 2002-03 income year, the activity produces assessable income of \$8,000 and deductions of \$10,000. The activity does not pass any of the tests and the discretion is not exercised so the \$2,000 excess is carried over to the next income year in which the activity is carried on.

For the 2003-04 income year, the activity produces assessable income of \$9,000 and deductions of \$10,000 (excluding the \$2,000 excess from 2002-03). Again, no tests passed and no exercise of discretion.

\$3,000 is carried over to the next income year (comprising the \$1,000 excess for the current year, plus the previous year's \$2,000 excess) when the activity is carried on.

(2A) You cannot deduct an amount under section 40-880 (business related costs) for expenditure in relation to a \*business activity you used to carry on if you are an individual, either alone or in partnership (whether or not some other entity is a member of the partnership) unless:

- (a) you satisfied subsection (2E), and one of the tests set out in any of the following provisions was satisfied for the business activity:
    - (i) section 35-30 (assessable income test);
    - (ii) section 35-35 (profits test);
    - (iii) section 35-40 (real property test);
    - (iv) section 35-45 (other assets test); or
  - (b) the Commissioner has exercised the discretion set out in section 35-55 for the business activity; or
  - (c) the exception in subsection (4) applied;
- for the income year in which the business activity ceased to be carried on or an earlier income year.
- (2B) If you are an individual, either alone or in partnership (whether or not some other entity is a member of the partnership), you cannot deduct an amount under section 40-880 (business related costs) for expenditure in relation to a \*business activity:
- (a) you propose to carry on; or
  - (b) another entity proposes to carry on if the other entity is not an individual, either alone or in partnership;
- for an income year before the one in which the business activity starts to be carried on.
- (2C) This section applies to an amount that you could have deducted, apart from paragraph (2B)(a), as if it were an amount attributable to the \*business activity that you can deduct from assessable income from the activity for the income year in which the business activity starts to be carried on.
- (2D) You can deduct expenditure covered by paragraph (2B)(b) for the income year in which the \*business activity starts to be carried on.

*Income requirement*

- (2E) You satisfy this subsection for an income year if the sum of the following is less than \$250,000:

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 35** Deferral of losses from non-commercial business activities

**Section 35-15**

---

- (a) your taxable income for that year, disregarding your \*assessable FHSS released amount for that year;
- (b) your \*reportable fringe benefits total for that year;
- (c) your \*reportable superannuation contributions for that year;
- (d) your \*total net investment losses for that year.

For the purposes of paragraph (a), when working out your taxable income, disregard any excess mentioned in subsection (2) for any \*business activity for that year that you could otherwise deduct under this Act for that year.

*Grouping business activities*

- (3) In applying this Division, you may group together \*business activities of a similar kind.

*Exceptions*

- (4) The rule in subsection (2), (2A) or (2B) does not apply to a \*business activity for an income year if:
  - (a) the activity is a \*primary production business, or a \*professional arts business; and
  - (b) your assessable income for that year (except any \*net capital gain) from other sources that do not relate to that activity is less than \$40,000.

- (5) A **professional arts business** is a \*business you carry on as:
  - (a) the author of a literary, dramatic, musical or artistic work; or

Note: The expression “author” is a technical term from copyright law. In general, the “author” of a musical work is its composer and the “author” of an artistic work is the artist, sculptor or photographer who created it.

- (b) a \*performing artist; or
- (c) a \*production associate.

**35-15 Modification if you have exempt income**

- (1) The rule in subsection 35-10(2) may be modified for an income year if you \*derived \*exempt income in that year.



- (2) Any amount to which paragraph 35-10(2)(b) would otherwise apply for an income year for you is reduced by your \*net exempt income for that year (after \*utilising the net exempt income under section 36-10 or 36-15 (about tax losses)). This reduction is made before you apply the paragraph 35-10(2)(b) amount against assessable income from the \*business activity.

### **35-20 Modification if you become bankrupt**

- (1) The rule in subsection 35-10(2) or (2A) is modified as set out in subsection (3) for an income year if in that year (the **current year**) you become bankrupt or are released from a debt by the operation of an Act relating to bankruptcy.
- (2) The rule is also modified as set out in subsection (3) if:
- (a) you became bankrupt before the current year; and
  - (b) the bankruptcy is annulled in the current year under section 74 of the *Bankruptcy Act 1966* because your creditors have accepted a proposal for a composition or scheme of arrangement; and
  - (c) under the composition or scheme of arrangement, you have been, will be or may be released from some or all of the debts from which you would have been released if you had instead been discharged from the bankruptcy.
- (3) This Act applies to you as if any amount that:
- (a) paragraph 35-10(2)(b) had applied to for an income year before the current year for you; and
  - (b) you have not yet deducted;
- were not an amount attributable to the \*business activity that you can deduct for the current year or a later income year.

### **35-25 Application of Division to certain partnerships**

For the purpose of applying the tests in sections 35-30, 35-40 and 35-45 where you carry on a \*business activity in an income year as a partner, ignore:

Section 35-30

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- (a) any part of the assessable income from the business activity for the year that is attributable to the interest of a partner that is not an individual in the partnership net income or partnership loss for the year; and
- (b) any part of the assessable income from the business activity for the year that is \*derived from the activity by another partner otherwise than as a member of the partnership; and
- (c) any part of the \*reduced cost bases or other values of assets of the partnership used in carrying on the activity in that year that is attributable to the interest of a partner that is not an individual in those assets; and
- (d) any part of the reduced cost bases or other values of assets owned or leased by another partner that are not partnership assets and used in carrying on the activity in that year.

**35-30 Assessable income test**

The rules in section 35-10 do not apply to a \*business activity for an income year if:

- (a) the amount of assessable income from the business activity for the year; or
  - (b) you started to carry on the business activity, or stopped carrying it on, during the year—a reasonable estimate of what would have been the amount of that assessable income if you had carried on that activity throughout the year;
- is at least \$20,000.

**35-35 Profits test**

- (1) The rules in section 35-10 do not apply to a \*business activity (except an activity carried on by one or more individuals as partners, whether or not some other entity is a member of the partnership) for an income year (the **current year**) if, for each of at least 3 of the past 5 income years (including the current year) the sum of the deductions attributable to that activity for that year (apart from the operation of subsections 35-10(2) and (2C)) is less than the assessable income from the activity for that year.

- (2) For a \*business activity you carried on with one or more others as partners, the rules in section 35-10 do not apply to you for the current year if, for each of at least 3 of the past 5 income years (including the current year) the sum of your deductions (including your share of the partnership deductions) attributable to that activity for that year (apart from the operation of subsections 35-10(2) and (2C)) is less than your assessable income (including your share of the partnership's assessable income) from the activity for that year.

### **35-40 Real property test**

- (1) The rules in section 35-10 do not apply to a \*business activity for an income year if the total \*reduced cost bases of real property or interests in real property used on a continuing basis in carrying on the activity in that year is at least \$500,000.
- (2) You may use the \*market value of the real property or interest if that value is more than its \*reduced cost base.
- (3) The \*reduced cost base or \*market value is worked out:
- (a) as at the end of the income year; or
  - (b) if you stopped carrying on the \*business activity during the year:
    - (i) as at the time you stopped; or
    - (ii) if you disposed of the asset before that time in the course of stopping carrying on the activity—as at the time you disposed of it.
- (4) However, these assets are not counted for this test:
- (a) a \*dwelling, and any adjacent land used in association with the dwelling, that is used mainly for private purposes;
  - (b) fixtures owned by you as a tenant.

### **35-45 Other assets test**

- (1) The rules in section 35-10 do not apply to a \*business activity for an income year if the total values of assets that are counted for this

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 35** Deferral of losses from non-commercial business activities

Section 35-50

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test (see subsections (2) and (4)) and that are used on a continuing basis in carrying on the activity in that year is at least \$100,000.

- (2) The assets counted for this test, and their values for this test, are set out in this table:

<b>Assets counted for this test and their values</b>		
<b>Item</b>	<b>Asset</b>	<b>Value</b>
1	An asset whose decline in value you can deduct under Division 40	The asset's *written down value
2	An item of *trading stock	Its value under subsection 70-45(1)
3	An asset that you lease from another entity	The sum of the amounts of the future lease payments for the asset to which you are irrevocably committed, less an appropriate amount to reflect any interest component for those lease payments
4	Trade marks, patents, copyrights and similar rights	Their *reduced cost base

- (3) The value of such an asset is worked out:
- (a) as at the end of the income year; or
  - (b) if you stopped carrying on the \*business activity during the year:
    - (i) as at the time you stopped; or
    - (ii) if you disposed of the asset before that time in the course of stopping carrying on the activity—as at the time you disposed of it.
- (4) However, these assets are not counted for this test:
- (a) assets that are real property or interests in real property that are taken into account for that year under section 35-40;
  - (b) \*cars, motor cycles and similar vehicles.

### 35-50 Apportionment

If an asset that is being taken into account under section 35-40 or 35-45 is used during an income year partly in carrying on the relevant \*business activity and partly for other purposes, only that part of its \*reduced cost base, \*market value or other value that is attributable to its use in carrying on the business activity in that year is taken into account for that section.

### 35-55 Commissioner's discretion

(1) The Commissioner may, on application, decide that the rule in subsection 35-10(2) does not apply to a \*business activity for one or more income years (the *excluded years*) if the Commissioner is satisfied that it would be unreasonable to apply that rule because:

- (a) the business activity was or will be affected in the excluded years by special circumstances outside the control of the operators of the business activity, including drought, flood, bushfire or some other natural disaster; or

Note: This paragraph is intended to provide for a case where a business activity would have satisfied one of the tests if it were not for the special circumstances.

- (b) for an applicant who carries on the business activity who satisfies subsection 35-10(2E) (income requirement) for the most recent income year ending before the application is made—the business activity has started to be carried on and, for the excluded years:
- (i) because of its nature, it has not satisfied, or will not satisfy, one of the tests set out in section 35-30, 35-35, 35-40 or 35-45; and
- (ii) there is an objective expectation, based on evidence from independent sources (where available) that, within a period that is commercially viable for the industry concerned, the activity will either meet one of those tests or will produce assessable income for an income year greater than the deductions attributable to it for that year (apart from the operation of subsections 35-10(2) and (2C)); or

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 35** Deferral of losses from non-commercial business activities

**Section 35-55**

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- (c) for an applicant who carries on the business activity who does not satisfy subsection 35-10(2E) (income requirement) for the most recent income year ending before the application is made—the business activity has started to be carried on and, for the excluded years:
- (i) because of its nature, it has not produced, or will not produce, assessable income greater than the deductions attributable to it; and
  - (ii) there is an objective expectation, based on evidence from independent sources (where available) that, within a period that is commercially viable for the industry concerned, the activity will produce assessable income for an income year greater than the deductions attributable to it for that year (apart from the operation of subsections 35-10(2) and (2C)).

Note: Paragraphs (b) and (c) are intended to cover a business activity that has a lead time between the commencement of the activity and the production of any assessable income. For example, an activity involving the planting of hardwood trees for harvest, where many years would pass before the activity could reasonably be expected to produce income.

- (2) The Commissioner may, on application, decide that the rule in subsection 35-10(2B) does not apply to a \*business activity for an income year if the Commissioner is satisfied that it would be unreasonable to apply that rule because special circumstances of the kind referred to in paragraph (1)(a) of this section prevented the activity from starting.

Note: This subsection is intended to provide for a case where a business activity would have begun to be carried on and satisfied one of the tests if it were not for the special circumstances.

- (3) An application for a decision by the Commissioner under this section must be made in the \*approved form.

## **Division 36—Tax losses of earlier income years**

### **Table of Subdivisions**

	Guide to Division 36
36-A	Deductions for tax losses of earlier income years
36-B	Effect of you becoming bankrupt
36-C	Excess franking offsets

### **Guide to Division 36**

#### **36-1 What this Division is about**

If you have more deductions for an income year than you have income, the difference is a *tax loss*.

Note: You may be able to utilise the tax loss in that or a later income year.

### **Subdivision 36-A—Deductions for tax losses of earlier income years**

#### **Table of sections**

36-10	How to calculate a tax loss for an income year
36-15	How to deduct tax losses of entities other than corporate tax entities
36-17	How to deduct tax losses of corporate tax entities
36-20	Net exempt income
36-25	Special rules about tax losses

#### **36-10 How to calculate a tax loss for an income year**

- (1) Add up the amounts you can deduct for an income year (except *\*tax losses for earlier income years*).
- (2) Subtract your total assessable income.
- (3) If you *\*derived \*exempt income*, also subtract your *\*net exempt income* (worked out under section 36-20).

Section 36-15

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- (4) Any amount remaining is your **tax loss** for the income year, which is called a **loss year**.

Note 1: Some deductions are limited so that they cannot contribute to a tax loss. See section 26-55 (Limit on certain deductions).

Note 2: The meanings of **tax loss** and **loss year** are modified by section 36-55 for a corporate tax entity that has an amount of excess franking offsets.

- (5) For subsection (3), if you have \*exempt income under section 51-100 (about shipping), disregard 90% of so much of your \*net exempt income as directly relates to that exempt income.

**36-15 How to deduct tax losses of entities other than corporate tax entities**

- (1) Your \*tax loss for a \*loss year is deducted in a later income year as follows if you are not a \*corporate tax entity at any time during the later income year.

Note 1: See section 36-17 for the deduction of a tax loss of an entity that is a corporate tax entity at any time during the later income year.

Note 2: A tax loss can be deducted only to the extent that it has not already been utilised: see subsection 960-20(1).

*If you have no net exempt income*

- (2) If your total assessable income for the later income year exceeds your total deductions (other than \*tax losses), you deduct the tax loss from that excess.

*If you have net exempt income*

- (3) If you have \*net exempt income for the later income year and your total assessable income (if any) for the later income year exceeds your total deductions (except \*tax losses), you deduct the tax loss:
- (a) first, from your net exempt income; and
  - (b) secondly, from the part of your total assessable income that exceeds those deductions.



- (4) However, if you have \*net exempt income for the later income year and those deductions exceed your total assessable income, then:
- (a) subtract that excess from your net exempt income; and
  - (b) deduct the tax loss from any net exempt income that remains.

To work out your net exempt income: see section 36-20.

*General*

- (5) If you have 2 or more \*tax losses, you deduct them in the order in which you incurred them.

**36-17 How to deduct tax losses of corporate tax entities**

- (1) A \*tax loss of an entity for a \*loss year is deducted in a later income year as follows if the entity is a \*corporate tax entity at any time during the later income year.

Note 1: A tax loss can be deducted under this section only to the extent that it has not already been utilised: see subsection 960-20(1).

Note 2: A corporate tax entity may also, in the 2020-21, 2021-22 or 2022-23 income year, be able to carry a loss back to the 2018-19, 2019-20, 2020-21 or 2021-2022 income year: see Division 160.

*If the entity has no net exempt income*

- (2) If the entity's total assessable income for the later income year exceeds the entity's total deductions (except \*tax losses), the entity is to deduct from that excess so much of the tax loss as the entity chooses. The entity may choose a nil amount.

*If the entity has net exempt income*

- (3) If the entity has \*net exempt income for the later income year and the entity's total assessable income (if any) for that year exceeds the entity's total deductions (except \*tax losses), the entity is to:
- (a) first, deduct the tax loss from the net exempt income; and
  - (b) secondly, deduct from the part of the total assessable income that exceeds those deductions so much of the undeducted amount of the tax loss (if any) as the entity chooses.

Section 36-17

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The entity may choose a nil amount under paragraph (b).

Note: To work out the corporate tax entity's net exempt income: see section 36-20.

- (4) However, if the entity has \*net exempt income for the later income year and those deductions exceed the entity's total assessable income, the entity is to:
- (a) subtract that excess from the net exempt income; and
  - (b) deduct the \*tax loss from any net exempt income that remains.

Note: This means there is no choice available under this subsection.

- (4A) For subsection (3) or (4), if the entity has \*exempt income under section 51-100 (about shipping) for the later income year, disregard 90% of so much of the entity's \*net exempt income for the later income year as directly relates to that exempt income.

*Limit to how much the entity can choose*

- (5) The choice that the entity has under subsection (2) or (3) for the later income year is subject to both of the following:
- (a) the entity must choose a nil amount if, disregarding the \*tax loss and other tax losses of the entity, the entity would have an amount of \*excess franking offsets for that year;
  - (b) if, disregarding the tax loss and other tax losses of the entity, the entity would *not* have an amount of excess franking offsets for that year—the entity must not choose an amount that would result in the entity having an amount of excess franking offsets for that year.

Example: For the 2017-18 income year, Company A (which is not a base rate entity) has:

- a tax loss of \$150 from a previous income year; and
- assessable income of \$200 (franked distribution of \$70, franking credit of \$30 and \$100 of income from other sources); and
- no deductions; and
- no net exempt income.

The tax offset of \$30 from the franking credit is not stated in Division 67 to be subject to the refundable tax offset rules.

Company A would not have an amount of excess franking offsets for that year if the tax loss were disregarded (see section 36-55). This is because the tax offset of \$30 is less than \$60, the amount of income tax that Company A would have to pay if it did not have the tax offset and the tax loss. Paragraph (a) therefore does not apply.

If Company A chooses to deduct the full amount of the tax loss, it would have an amount of excess franking offsets of \$15:

$$\$30 - ((\$200 - \$150) \times 30\%)$$

Company A therefore cannot make this choice because of paragraph (b).

However, if Company A chooses to deduct \$100 of the tax loss, it would not have an amount of excess franking offsets:

$$\$30 = ((\$200 - \$100) \times 30\%)$$

Company A therefore can choose to deduct \$100 of the tax loss.

- (6) The entity must state its choice under subsection (2) or (3) in its \*income tax return for the later income year.

*General*

- (7) If the entity has 2 or more \*tax losses, the entity is to deduct them in the order in which the entity incurred them.

*Recalculation of amounts resulting in a choice or a change of a choice*

- (10) Subsection (11) or (12) applies if at least one of the following amounts is recalculated after an entity has lodged its \*income tax return for an income year:
- (a) the amount of a \*tax loss that the entity can \*utilise in that year;
  - (b) the amount of the difference between the entity's total assessable income for that year and the entity's total deductions (other than \*tax losses) for that year;
  - (c) the amount of the entity's \*net exempt income for that year;

Section 36-20

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whether or not the amount is recalculated in an amendment of the entity's assessment for that year, and whether or not the amount was a nil amount before the recalculation (or has become a nil amount after the recalculation).

- (11) If:
- (a) before the recalculation, a choice under subsection (2) or (3) for the income year was not available to the entity; but
  - (b) as a result of the recalculation, the choice has (apart from subsection (6)) become available to the entity;
- the entity can make that choice by written notice given to the Commissioner.
- (12) If:
- (a) the entity made a choice under subsection (2) or (3) for the income year; but
  - (b) as a result of the recalculation, the entity wishes to change that choice;
- the entity can do so by written notice given to the Commissioner.
- (13) Subsections (10) to (12) have effect subject to section 170 of the *Income Tax Assessment Act 1936* (about amendment of assessments).

**36-20 Net exempt income**

- (1) If you are an Australian resident, your ***net exempt income*** is the amount by which your total \*exempt income from all sources exceeds the total of:
- (a) the losses and outgoings (except capital losses and outgoings) you incurred in deriving that exempt income; and
  - (b) any taxes payable outside Australia on that exempt income.
- (2) If you are a foreign resident, your ***net exempt income*** is the amount (if any) by which the total of:
- (a) your \*exempt income \*derived from sources in Australia; and

- (b) your exempt income to which section 26AG (Certain film proceeds included in assessable income) of the *Income Tax Assessment Act 1936* applies;
- exceeds the total of:
- (c) the losses and outgoings (except capital losses and outgoings) you incurred in deriving exempt income covered by paragraph (a) or (b); and
- (d) any taxes payable outside Australia on income covered by paragraph (b).

### 36-25 Special rules about tax losses

#### *Tax losses of individuals*

<b>Item</b>	<b>For the special rules about this situation ...</b>	<b>See:</b>
1.	You go bankrupt, or you are released from debts under a bankruptcy law: your right to deduct tax losses of an earlier income year may be affected.	Subdivision 36-B

#### *Tax losses of companies*

<b>Item</b>	<b>For the special rules about this situation ...</b>	<b>See:</b>
1.	A company has had a change of ownership or control during the income year, and has not satisfied the business continuity test: it works out its taxable income and its tax loss in a special way.	Subdivision 165-B
2.	A company wants to deduct a tax loss. It cannot do so unless: <ul style="list-style-type: none"><li>the same people owned the company during the loss year, the income year and any intervening year; and</li></ul>	Subdivision 165-A

**Chapter 2** Liability rules of general application  
**Part 2-5** Rules about deductibility of particular kinds of amounts  
**Division 36** Tax losses of earlier income years

Section 36-25

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<b>Item</b>	<b>For the special rules about this situation ...</b>	<b>See:</b>
	<ul style="list-style-type: none"><li>no person controlled the company's voting power at any time during the income year who did not also control it during the whole of the loss year and any intervening year;</li></ul> <i>or</i> the company has satisfied the business continuity test.	
3.	One or more of these things happen: <ul style="list-style-type: none"><li>income is injected into a company;</li><li>a tax benefit is obtained from available losses or deductions;</li><li>a deduction is injected into a company;</li><li>a tax benefit is obtained because of available income.</li></ul> The Commissioner can disallow tax losses or current year deductions.	Division 175
4.	A company can transfer a surplus amount of its tax loss to another company so that the other company can deduct the amount in the income year of the transfer. (Both companies must be members of the same wholly-owned group.)	Subdivision 170-A
	<i>See also: Tax losses of pooled development funds (PDFs) below</i>	
5.	A life insurance company	Subdivision 320-D
6.	A company is a designated infrastructure project entity.	Subdivision 415-B

*Tax losses of corporate tax entities*

<b>Item</b>	<b>For the special rules about this situation...</b>	<b>See:</b>
1.	A corporate tax entity that has an amount of excess franking offsets for an income year: it works out its tax loss in a special way.	Subdivision 36-C
<i>See also Division 160 (loss carry back tax offset for 2020-21, 2021-22 or 2022-23 for businesses with turnover under \$5 billion)</i>		

*Tax losses of entities generally*

<b>Item</b>	<b>For the special rules about this situation ...</b>	<b>See:</b>
3.	You have deductions in relation to deriving income under section 26AG of the <i>Income Tax Assessment Act 1936</i> from the proceeds of a film: your tax loss may have a film component, which is deductible from your film income only.	Former Subdivision 375-G

*Tax losses of pooled development funds (PDFs)*

<b>Item</b>	<b>For the special rules about this situation ...</b>	<b>See:</b>
1.	A company is a pooled development fund (PDF) at the end of an income year for which it has a tax loss: it can only: (a) deduct the loss while it is a PDF; or (b) carry back the loss to an income year in which it was a PDF.	Sections 195-5 and 195-37

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 36** Tax losses of earlier income years

Section 36-25

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<b>Item</b>	<b>For the special rules about this situation ...</b>	<b>See:</b>
2.	A company becomes a PDF during an income year: special rules affect how it works out a tax loss and how the loss is utilised.	Section 195-15

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*Tax losses of VCLPs, ESVCLPs, AFOFs and VCMPs*

<b>Item</b>	<b>For the special rules about this situation ...</b>	<b>See:</b>
1.	A limited partnership that has a tax loss becomes a VCLP, an ESVCLP, an AFOF or a VCMP: it cannot: (a) deduct the loss while it is a VCLP, an ESVCLP, an AFOF or a VCMP; or (b) carry back the loss to an income year in which it was not a VCLP, an ESVCLP, an AFOF or a VCMP.	Subdivision 195-B

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*Tax losses of entities that become foreign hybrids*

<b>Item</b>	<b>For the special rules about this situation...</b>	<b>See:</b>
1.	An entity that has a tax loss becomes a foreign hybrid: it cannot deduct the loss while it is a foreign hybrid.	Section 830-115

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*Tax losses of trusts*

<b>Item</b>	<b>For the special rules about this subsection...</b>	<b>See:</b>
1.	A trust has had a change of ownership or control or there has been an abnormal trading in its units:	Divisions 266, 267 and 268 in Schedule 2F to

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Section 36-30

<b>Item</b>	<b>For the special rules about this subsection...</b>	<b>See:</b>
	<ul style="list-style-type: none"> <li>• if this happens in the income year, it works out its net income and tax loss in a special way; or</li> <li>• if this happens at any time from the start of a loss year until the end of the income year, it cannot deduct a tax loss from the loss year.</li> </ul> <p>This will not be the case if the trust is an excepted trust. However, if it became one by making a family trust election, a special tax may be payable on certain distributions and other amounts.</p>	the <i>Income Tax Assessment Act 1936</i>
2.	A trust is involved in a scheme to take advantage of deductions. The trust may be prevented from making full use of them.	Division 270 in Schedule 2F to the <i>Income Tax Assessment Act 1936</i>
3.	A trust is a designated infrastructure project entity.	Subdivision 415-B

*Tax losses of greenfields minerals explorers*

<b>Item</b>	<b>For the special rules about this situation...</b>	<b>See:</b>
1.	A greenfields minerals explorer creates exploration credits.	Section 418-95

Section 36-30

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**Subdivision 36-B—Effect of you becoming bankrupt**

**Guide to Subdivision 36-B**

**36-30 What this Subdivision is about**

After you become bankrupt, you cannot deduct a tax loss that you incurred beforehand. However, you may be able to deduct repayments of debts you incurred in the loss year.

**Table of sections**

**Operative provisions**

36-35	No deduction for tax loss incurred before bankruptcy
36-40	Deduction for amounts paid for debts incurred before bankruptcy
36-45	Limit on deductions for amounts paid

**Operative provisions**

**36-35 No deduction for tax loss incurred before bankruptcy**

- (1) If:
- (a) you became bankrupt; or
  - (b) you were released from a debt by the operation of an Act relating to bankruptcy;
- before the income year, you cannot deduct a \*tax loss that you incurred before the day on which you either became bankrupt or were released.
- (2) If:
- (a) you became bankrupt before the income year; and
  - (b) the bankruptcy is later annulled under section 74 of the *Bankruptcy Act 1966* because your creditors have accepted your proposal for a composition or scheme of arrangement; and

- (c) under the composition or scheme of arrangement, you have been, will be or may be released from some or all of the debts from which you would have been released if you had instead been discharged from the bankruptcy;
- you cannot deduct a \*tax loss that you incurred before the day on which you became bankrupt.

### **36-40 Deduction for amounts paid for debts incurred before bankruptcy**

#### *Tax losses generally*

- (1) If:
- (a) you pay an amount in the income year for a debt that you incurred in an earlier income year; and
  - (b) you have a \*tax loss covered by section 36-35 for that earlier income year;

you can deduct the amount paid, but only to the extent that it does not exceed so much of the debt as the Commissioner is satisfied was taken into account in calculating the amount of the tax loss.

#### *Film losses*

- (2) If:
- (a) you pay an amount in the income year for a debt that you incurred in an earlier income year; and
  - (b) you incurred the debt in the course of deriving or gaining \*assessable film income or \*exempt film income; and
  - (c) you also incurred a \*film loss covered by section 36-35 in that earlier income year;

you can deduct the amount paid, but only to the extent that it does not exceed so much of the debt as the Commissioner is satisfied was taken into account in calculating the amount of the film loss.

- (3) A **film loss** is the \*film component (if any) of a \*tax loss.
- (4) Your \*tax loss for an income year has a **film component** if your \*film deductions for the year exceed the sum of:

**Chapter 2** Liability rules of general application

**Part 2-5** Rules about deductibility of particular kinds of amounts

**Division 36** Tax losses of earlier income years

Section 36-40

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- (a) your \*assessable film income for the year; and
- (b) your \*net exempt film income for the year.

The amount of the **film component** is the excess or the tax loss, whichever is lesser.

- (5) However, if your \*tax loss worked out under a provision listed in the table, the **film component** is what that tax loss would have been if:

- (a) your \*film deductions for the \*loss year had been your only deductions; and
- (b) your \*assessable film income for the loss year had been your only assessable income; and
- (c) your \*net exempt film income for the loss year had been your only \*net exempt income.

However, the **film component** cannot exceed the actual tax loss.

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<b>Working out film component of tax loss</b>		
<b>Item</b>	<b>Provision</b>	<b>Type of entity</b>
1	165-70	Company—income year when ownership or control changed
2	175-35	Company—deductions that have been used to obtain a tax benefit disallowed
3	268-60 in Schedule 2F to the <i>Income Tax Assessment Act 1936</i>	Trust—income year when ownership or control changed

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### **36-45 Limit on deductions for amounts paid**

#### *Tax losses generally*

- (1) The total of your deductions under subsection 36-40(1) for amounts paid in the income year for debts incurred in the \*loss year cannot exceed the amount of the \*tax loss reduced by the sum of:
  - (a) your deductions under that subsection for amounts paid in earlier income years for debts incurred in the loss year; and
  - (b) any amounts of the tax loss \*utilised in earlier income years; and
  - (c) any amounts of the tax loss that, apart from section 36-35, would have been deductible from your \*net exempt income for the income year or earlier income years.

#### *Film losses*

- (2) The total of your deductions under subsection 36-40(2) for amounts paid in the income year for debts incurred in the \*loss year cannot exceed the amount of the \*film loss reduced by the sum of:
  - (a) your deductions under that subsection for amounts paid in earlier income years for debts incurred in the loss year; and
  - (b) any amounts of the film loss deducted in earlier income years; and
  - (c) any amounts of the film loss that, apart from section 36-35, would have been deductible from your \*net exempt film income for the income year or earlier income years.

Section 36-50

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## Subdivision 36-C—Excess franking offsets

### Guide to Subdivision 36-C

#### 36-50 What this Subdivision is about

Amounts of tax offsets to which a corporate tax entity is entitled under Division 207 and Subdivision 210-H may in some circumstances be converted into an amount of a tax loss for the entity.

#### Table of sections

##### Operative provision

36-55 Converting excess franking offsets into tax loss

### Operative provision

#### 36-55 Converting excess franking offsets into tax loss

##### *Excess franking offsets*

- (1) An entity that is a \*corporate tax entity at any time during an income year has an amount of ***excess franking offsets*** for that year if:
- (a) the total amount of \*tax offsets to which the entity is entitled for that year under Division 207 and Subdivision 210-H (except those that are subject to the refundable tax offset rules because of section 67-25);
- exceeds:
- (b) the amount of income tax that the entity would have to pay on its taxable income for that year if:
    - (i) it did not have those tax offsets; and
    - (ii) it did not have any tax offsets that are subject to the tax offset carry forward rules or the refundable tax offset rules; and

- (iii) it did not have any tax offset under section 205-70;  
but had all its other tax offsets.

The excess is the amount of *excess franking offsets*.

Note: Division 65 sets out the tax offset carry forward rules. Division 67 sets out which tax offsets are subject to the refundable tax offset rules.

Example: For the 2017-18 income year, Company E (which is not a base rate entity) has:

- assessable income of \$200 (franked distribution of \$140 and franking credit of \$60); and
- \$100 of deductions that are allowable.

The tax offset of \$60 from the franking credit is not stated in Division 67 to be subject to the refundable tax offset rules.

Disregarding the tax offset of \$60 from the franking credit, the amount of income tax that Company E would have to pay is \$30:

$$((\$140 + \$60) - \$100) \times 30\%$$

This amount is \$30 less than the tax offset of \$60. Company E therefore has an amount of excess franking offsets of \$30 for that year.

*How to work out the amount of the tax loss*

(2) For the purposes of this Act, if:

- (a) an entity has an amount of \*excess franking offsets for an income year; and
- (b) the result of applying the following method statement is a positive amount;

then:

- (c) the entity is taken to have a \*tax loss for that year equal to that positive amount (instead of an amount of tax loss worked out under section 36-10, 165-70, 175-35 or 701-30); and
- (d) that year is taken to be a \*loss year for the entity if the entity would not otherwise have a tax loss for that year.

Section 36-55

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*Method statement*

Step 1. Work out the amount (if any) that would have been the entity's \*tax loss for that year under section 36-10, 165-70, 175-35 or 701-30 if the entity's \*net exempt income for that year (if any) were disregarded.

Note: See section 36-20 for the calculation of net exempt income.

Step 2. Divide the amount of \*excess franking offsets by the entity's \*corporate tax rate for imputation purposes for that year.

Step 3. Add the results of steps 1 and 2.

Step 4. Reduce the result of step 3 by the entity's \*net exempt income for that year (if any).

The result of this step is taken to be the entity's \*tax loss for that year. However, if the result of this step is nil or a negative amount, the company does not have any tax loss for that year.

Example: Assume that company E did not derive any exempt income for the 2017-2018 income year and that it would not otherwise have any tax loss for that year under section 36-10, 165-70, 175-35 or 701-30.

Applying the method statement, the amount of excess franking offsets of \$30 generates a tax loss of \$100 for that year, which can be deducted in a later income year under section 36-15 or 36-17.