Losses schedule instructions 2019

For use by companies, trusts and superannuation funds to assist with completion of Losses schedule 2019. NAT 4088

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About these instructions

These instructions will help you complete the Losses schedule 2019. If any of the tests at Who must complete a losses schedule? apply to non-consolidated group entities (companies, trusts and superannuation funds), you must complete a losses schedule and lodge it with your tax return.

When we refer to **you** or **your business** in these instructions, we are referring either to:

- you as a business entity (for example, a company) that conducts a business, or
- you as the tax agent or public officer responsible for completing the schedule.

This publication is **not** a guide to income tax law. Contact us, or a recognised tax adviser, if you feel this publication does not fully cover your circumstances.

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To find out how to get a publication referred to in these instructions, or information about our other services, see More information.

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What's new?

Increasing access to company losses

On 1 March 2019, legislation was enacted that will supplement the current 'same business test' for company losses with a more flexible 'similar business test'. The new test will expand access to past year losses when companies enter into new transactions or business activities.

The similar business test will allow a company to access losses following a change in ownership where its business, while not the same, is similar having regard to:

- the extent to which the assets that are used in its current business to generate assessable income were also used in its former business to generate assessable income

- the extent to which the activities and operations from which its current business is generating assessable income were also the activities and operations from which its former business generated assessable income
- the identity of its current business and the identity of its former business, and
- the extent to which any changes to the former business resulted from the development or commercialisation of assets, products, processes, services, or marketing or organisational methods of the former business.

As a test for accessing past year losses, the 'similar business test' will only be available for losses made in income years starting on or after 1 July 2015.

The 'same business test' and the 'similar business test' will be collectively known as the 'business continuity test'.

This measure takes effect in relation to income years starting on or after 1 July 2015. For more information, see New legislation.

See also:

- LCR 2019/1 *The business continuity test – carrying on a similar business*

Who must complete a losses schedule?

If any of the following tests apply to your entity (company, trust or superannuation fund), you must complete and submit a losses schedule with your 2019 tax return.

Test for completing losses schedule

A losses schedule is required if the entity:	Company	Trust	Fund
has total of tax losses and net capital losses greater than $100,000 carried forward to later income years	Yes	Yes	Yes
is required by section 165-13 or 165-96 of the *Income Tax Assessment Act 1997* (ITAA 1997) to satisfy the business continuity test in Subdivision 165-E of that Act to deduct or apply a loss either in 2018–19 or in a later income year or, having passed the continuity of ownership test, has claimed a deduction for tax losses and/or applied net capital losses greater than $100,000	Yes	na	na
is a listed widely-held trust that is required by section 266-125 of Schedule 2F to the *Income Tax Assessment Act 1936* (ITAA 1936) to satisfy the business continuity test in Subdivision 269-F of that Schedule to deduct a tax loss in the 2018–19 or later income years or, having passed the 50% stake test,	na	Yes	na

has claimed a deduction for tax losses greater than $100,000			
has a changeover time that occurred after 1.00pm by legal time in the Australian Capital Territory on 11 November 1999 and determined that it has an unrealised net loss as defined in the provisions of Subdivision 165-CC of the ITAA 1997	Yes	na	na
is a life insurance company and has a total of complying superannuation class tax losses and net capital losses carried forward to later income years greater than $100,000 (complete part D of the schedule)	Yes	Yes	na
has an interest in a controlled foreign company (CFC) that has 2017–18 losses greater than $100,000	Yes	Yes	Yes
has an interest in a CFC that has deducted or carried forward a loss greater than $100,000 to later income years.	Yes	Yes	Yes

An entity may need to complete a losses schedule for certain aspects of its net capital losses. While some of the information requested in the losses schedule is also requested in the Capital gains tax (CGT) schedule 2019 (CGT schedule), an entity that completes a losses schedule may also need to complete a CGT schedule.

If the entity completes a losses schedule in respect of any aspect of its losses, all relevant parts of the schedule must be completed.

An entity that has joined a consolidated group as a subsidiary member during the income year must lodge a losses schedule covering any non-membership period if the entity satisfies any of the requirements for lodgment of that schedule, including where losses exceed $100,000 at the end of the non-membership period. The amounts at part A of the losses schedule must be transferred to **U** and **V** item **13** on the *Company tax return 2019*.

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Entity details

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Tax file number

Write the tax file number (TFN) of the entity.

Name of entity

Print the name of the entity.

The name shown must be the same as that shown on the entity's tax return.

Australian business number

Write the Australian business number (ABN), if any, of the entity.

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Part A Losses carried forward to the 2019–20 income year – excludes film losses

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There are certain tests that must be satisfied for the entity to be able to apply a loss or to carry forward a loss to a later income year. The entity must keep a record of its losses and account for any adjustments, including those made by the ATO.

Records must be retained for at least five years from when they are prepared or from the completion of transactions to which they relate, whichever is later. To support claims for losses, records also should be retained at least until the end of the period of review for the income year in which the relevant losses are fully applied.

If required, the entity must be able to demonstrate not only the balance of any losses being either claimed or carried forward but also how those losses arose.

1 Tax losses carried forward to later income years

Complete **B** to **G** and **U** where appropriate; otherwise leave blank.

Do not include net capital losses or film losses at item **1**.

Write net capital losses carried forward to later income years at item **2**. Details of film losses carried forward are not required to be reported on this schedule.

For the definition of a tax loss, see **section 995-1** of the ITAA 1997.

Subject to various rules, an earlier year tax loss is deducted in a later income year in the order in which it was incurred (to the extent that it has not already been utilised).

For more information about deducting and carried forward losses, see **Losses**.

An earlier year tax loss may be reduced by the commercial debt forgiveness provisions of **Division 245** of the ITAA 1997.

Pooled development fund (PDF) tax losses are excluded from **B** to **G** and **U**. For more information on deductibility of PDF tax losses, see **Division 195** of the ITAA 1997.

Net capital losses may only be applied in accordance with **Division 102** of the ITAA 1997. A CGT schedule may need to be completed. For more information, see the **Guide to capital gains tax 2019** (NAT 4151).

Year of loss

At the appropriate year, write the unutilised amount of the tax loss incurred by the entity in that year and carried forward to later income years under section 36-15 or section 36-17 (as applicable) of the ITAA 1997.

For 2013–14 and earlier income years, write the total amount for those years.

If no tax loss was incurred in a particular year, or if the tax loss incurred in that year has been applied in full, leave blank.

U Total

Write at **U** the total of tax losses carried forward to later income years; this amount is the total of the amounts at **B** to **G**.

Transfer the amount at **U** to the Tax losses carried forward to later income years label on your tax return.

For more information on how this amount is calculated, see **Tax losses carried forward to later income years** under **13 Losses information** in the relevant instructions.

Examples for part A items 1 and 2

The examples are intended to be a guide only and represent some of the many possible methods of calculating the amount of losses available to be applied or carried forward to later income years.

The examples apply equally to companies, trusts and funds, with the exception that trusts and funds are not able to transfer losses to other entities, nor are they able to have losses transferred to them. The transfer of losses provisions are limited to transfers involving an Australian branch of a foreign bank; see section 170-30 of the ITAA 1997.

In all examples, it is assumed that the entity passes all tests, at all times, for that entity to be eligible to apply these losses.

Example 1

A company's trading results for 2011–12 to 2018–19 and movement in the balances of its tax losses are as follows:
A company's trading results for 2011–12 to 2018–19 and movement in the balances of its tax losses are as follows:

Year	Tax loss incurred	Net exempt income	Tax loss deducted	Balance of tax loss

2011–12	$10,000	$4,000	$	$6,000
2012–13	$30,000	$	$	$36,000
2013–14	$20,000	$	$	$56,000
2014–15	$	$1,000	$2,000	$53,000
2015–16	$	$500	$	$52,500
2016–17	$6,000	$	$	$58,500
2017–18	$1,000	$600	$	$58,900
2018–19	$	$	$5,000	$53,900

The company's loss calculation sheet shows progressive balances of tax losses for 2011–12 to 2018–19 as follows:

Balance of losses	**2011–12**	**2012–13**	**2013–14**	**2014–15**	**2015–16**	**2016–17**
2013–14 and earlier income years	$6,000	$36,000	$56,000	$53,000	$52,500	$52,500
2014–15	$	$	$	$	$	$
2015–16	$	$	$	$	$	$
2016–17	$	$	$	$	$	$6,000
2017–18	$	$	$	$	$	$
2018–19	$	$	$	$	$	$
Total	$ **6,000**	**$36,000**	**$56,000**	**$53,000**	**$52,500**	**$58,500**

Complete part A item **1** as follows:

Label	**Year of loss**	**Amount**
B	2018–19	$
C	2017–18	$400
D	2016–17	$6,000
E	2015–16	$
F	2014–15	$

G	2013–14 and earlier income years	$47,500
U	**Total**	**$53,900**

Transfer the amount at **U** ($53,900) to **U** item **13 Tax losses carried forward to later income years** on your *Company tax return 2019*.

2 Net capital losses carried forward to later income years

Complete **H** to **M** and **V** where appropriate; otherwise, leave blank.

You must complete the details requested at this item if the entity has net capital losses carried forward to later income years.

The net capital losses of a company shown at **H** to **M** include any unapplied current year net capital loss calculated in accordance with Subdivision 165-CB of the ITAA 1997.

The entity may be required to complete a CGT schedule; see the **Guide to capital gains tax 2019**.

Year of loss

At the appropriate year, write the amount of any unapplied net capital loss made by the entity in that year that can be carried forward and applied to reduce capital gains in later income years.

For 2013–14 and earlier income years, write the total amount for those years.

If there is no net capital loss for a particular year, or the net capital loss made in that year has been applied in full, leave blank.

V Total

Write at **V** the total of unapplied net capital losses carried forward to later income years at **H** to **M**.

Transfer the amount at **V** to **Net capital losses carried forward to later income years** on your tax return.

Example 2

A company's results for 2013–14 to 2018–19 and movement in the balances of its net capital losses are as follows:

Year	Net capital loss incurred	Net capital loss applied	Balance of net capital losses
2013–14	$1,000	$	$1,000
2014–15	$9,000	$	$10,000
2015–16	$	$2,000	$8,000

2016–17	$8,000	$	$16,000
2017–18	$	$1,500	$14,500
2018–19	$1,000	$	$15,500

The company's loss calculation sheet shows progressive balances of net capital losses for 2013–14 to 2018–19 as follows:

Year	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
2013–14	$1,000	$1,000	$	$	$	$
2014–15	$	$9,000	$8,000	$8,000	$6,500	$6,500
2015–16	$	$	$	$	$	$
2016–17	$	$	$	$8,000	$8,000	$8,000
2017–18	$	$	$	$	$	$
2018–19	$	$	$	$	$	$1,000
Total	**$1,000**	**$10,000**	**$8,000**	**$16,000**	**$14,500**	**$15,500**

Complete part A item **2** as follows:

Label	Year of loss	Amount
H	2018–19	$1,000
I	2017–18	$
J	2016–17	$8,000
K	2015–16	$
L	2014–15	$6,500
M	2013–14 and earlier income years	$
V	**Total**	**$15,500**

Transfer the amount at **V** ($15,500) to **V** item **13 Net capital losses carried forward to later income years** on your *Company tax return 2019.*

Part B Ownership and business continuity test – company and listed widely held trust only

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The 'same business test' and the 'similar business test' are collectively referred to as the 'business continuity test'.

See also:

- LCR 2019/1 *The business continuity test – carrying on a similar business*

1 Whether continuity of majority ownership test passed

If the entity has deducted or applied (or, if applicable, transferred in or transferred out) a loss, which was incurred in any of the listed years, print **X** in the appropriate boxes to indicate whether the entity has satisfied the continuity of majority ownership test in respect of that loss.

The aim of item **1** is to find out if:

- the continuity of majority ownership test at section 165-12 of the ITAA 1997 if the entity is a company, or
- the 50% stake test at Subdivision 269-C of Schedule 2F to the ITAA 1936 if the entity is a listed widely held trust

has been satisfied in respect of a loss if a loss in any of the periods listed at item **1** is deducted or applied, if the entity is a company or listed widely held trust.

For more information regarding the operation of the loss rules, see Losses.

Year of loss

Print **X** in the **Yes** boxes at **A** to **F** (as applicable) if, during 2018–19, the entity seeks to deduct or apply a loss of the relevant year and the entity has passed:

- the continuity of majority ownership test, if the entity is a company, or
- the 50% stake test, if the entity is a listed widely held trust in respect of the loss of that particular year.

Print **X** in the **No** boxes at **A** to **F** (as applicable) for each year in respect of which the entity seeks to deduct or apply a loss, if the continuity of majority ownership test or the 50% stake test, as applicable, has not been satisfied in respect of that loss and the entity is required to satisfy the business continuity test.

If there was no loss deducted or applied (or, if applicable, not transferred in or transferred out) in respect of a particular year, leave the boxes next to that year blank.

Examples for part B item 1

Although examples 3 and 4 are for companies, the examples, notes and comments apply equally to listed widely held trusts (which must satisfy the 50% stake test).

Example 3

A company had incurred tax losses in earlier income years. The company deducted all of these tax losses in respect of 2018–19. At the beginning of 2018–19, the company had undeducted losses from 2013–14, 2015–16, 2016–17 and 2017–18. The continuity of majority ownership test was failed during 2015–16 but all other tests for allowing the tax losses to be deducted have been passed by the company.

On these facts, for the tax losses of 2015–16 and earlier income years, the company has not passed the continuity of majority ownership test.

Year of loss	Label	Yes	No
2018–19	A	-	-
2017–18	B	**X**	-
2016–17	C	**X**	
2015–16	D	-	**X**
2014–15	E	-	-
2013–14 and earlier income years	F	-	**X**

The above example shows that:

- there was no deduction for a tax loss incurred in 2014–15
- the company passed the continuity of majority ownership test for the tax losses of 2016–17 and 2017–18
- the company failed the continuity of majority ownership test for the tax losses of 2013–14 (and earlier income years) and 2015–16.

Example 4

A company that incurred a tax loss in the 2013–14 subsequently undergoes a change in majority ownership in 2014–15. The company satisfies the business continuity test in respect of the 2013–14 tax loss.

The company incurs a further tax loss in 2015–16 and satisfies the continuity of majority ownership test in respect of this 2015–16 tax loss.

In 2018–19, the company deducts the tax losses incurred in 2013–14 and 2015–16.

Print **X** in the **Yes** box at **D 2015–16** and **X** in the **No** box at **F 2013–14 and earlier income years**.

2 Amount of losses deducted or applied for which the continuity of majority ownership test is not passed but the business continuity test is satisfied – excludes film losses

The 'same business test' and the 'similar business test' are collectively referred to as the 'business continuity test'.

See also:

- LCR 2019/1 *The business continuity test - carrying on a similar business*

Write at item **2** the total amount of losses deducted or applied during 2018–19 (if the entity is either a company or a listed widely held trust) and for which the business continuity test must be satisfied.

In addition to those companies with either tax losses or net capital losses that have not passed the continuity of majority ownership test, this item also applies to listed widely held trusts with tax losses that have not passed the 50% stake test.

For more information regarding the operation of the loss rules, see Losses.

G Tax losses

Write at **G** the amount of tax losses deducted by the entity that do not meet the continuity of majority ownership test but satisfy the business continuity test.

H Net capital losses

Write at **H** the amount of net capital losses applied by a company that do not meet the continuity of majority ownership test but satisfy the business continuity test.

Example 5

Year	Tax loss	Net capital loss
2012–13	$1,000	$
2013–14	$2,000	$
2014–15	$	$500
2015–16	$1,600	$800
2016–17	$	$
2017–18	$$10,000	2,000
2018–19	$	$

Total	**$14,600**	**$3,300**

There was a change in the underlying beneficial ownership of the company in 2016–17.

The company passed the business continuity test and all other tests in relation to the losses incurred prior to that year and passed the continuity of majority ownership test and all other tests in relation to the 2017–18 losses.

Tax losses

All tax losses incurred in 2012–13, 2013–14 and 2015–16 were deducted in 2018–19, as well as $6,000 of the 2017–18 tax loss.

Net capital losses

All of the 2014–15 net capital loss and $600 of the 2015–16 net capital loss were applied in 2018–19.

Of all of the above losses, which are being applied in 2018–19, those which are subject to the business continuity test being satisfied by the company are as follows:

Tax losses

- 2012-13 ($1,000)
- 2013-14 ($2,000)
- 2015-16 ($1,600)

Net capital losses

- 2014-15 ($500)
- 2015-16 ($600)

Complete part B item **2** as follows:

Type of loss	Label	Amount
Tax losses	G	$4,600
Net capital losses	H	$1,100

The 2017–18 tax loss of $6,000 was deducted by the company on the basis that the company had satisfied the continuity of majority ownership test. Therefore this amount is not shown at **G Tax losses**.

As $200 of the 2015–16 net capital loss was not applied during 2018–19, that amount of $200 is not shown at **H Net capital losses** for 2018–19 even though the business continuity test would need to be passed in a later income year in order for the company to be able to apply that net capital loss in a later income year.

3 Losses carried forward for which the business continuity test must be satisfied before they can be deducted or applied in later years - excludes film losses

The 'same business test' and the 'similar business test' are collectively referred to as the 'business continuity test'.

See also:

LCR 2019/1 The business continuity test - carrying on a similar business

Item **3** asks for information about the tax losses and net capital losses for which the entity must satisfy the business continuity test in subsequent years for the entity to be able to deduct or apply those losses.

I Tax losses

Write at **I** the total amount of tax losses carried forward to later income years for which the business continuity test must be satisfied for the entity to deduct those tax losses in later income years.

J Net capital losses

Write at **J** the total amount of net capital losses carried forward to later income years for which the business continuity test must be satisfied for the company to apply those net capital losses in later income years.

Example 6

Year	Tax loss	Net capital loss
2012–13	$1,500	$
2013–14	$3,000	$
2014–15	$	$700
2015–16	$1,900	$900
2016–17	$	$
2017–18	$1,000	$1,500
2018–19	$	$
Total	**$7,400**	**$3,100**

A change in the underlying beneficial interests in the company took place during 2016–17. As a result, the company must satisfy the business continuity test for the tax losses and net capital losses.

As the similar business test has effect from 1 July 2015, applying the business continuity test means:

- the **same business test** for income years up to and including the 2014-15 year
- the **same or similar business test** for income years after and including 2015-16.
- The 2017–18 tax loss ($1,000) and the net capital loss ($1,500) are not affected by the change in the underlying beneficial interest of the company.

The company completes part B item **3** as follows:

Type of loss	Label	Amount

Tax losses	I	$6,400
Net capital losses	I	$1,600

4 Do current year loss provisions apply?

K Is the company required to calculate its taxable income or tax loss for the year under Subdivision 165-B or its net capital gain or net capital loss for the year under Subdivision 165-CB of the ITAA 1997?

A company is required to calculate its taxable income and tax loss under Subdivision 165-B of the ITAA 1997 where it does not satisfy the continuity of majority ownership test for the whole income year; see section 165-35 of the ITAA 1997. The current year loss provisions also apply where, during the income year, a person begins to control, or becomes able to control, the voting power in the company for the purpose or one of the purposes of gaining an advantage under the ITAA 1997 or gaining such a benefit for someone else; see section 165-40 of the ITAA 1997.

However, the current year loss rules do not apply in either case if the business continuity test is satisfied.

For more information on the application of these rules, see Current-year losses.

Print **X** in the **Yes** box at **K** if the company is required to calculate its taxable income or tax loss under the provisions of Subdivision 165-B or its net capital gain or net capital loss under the provisions of Subdivision 165-CB.

Print **X** in the **No** box at **K** if the company is **not** required to calculate its taxable income or tax loss under the provisions of Subdivision 165-B or its net capital gain or net capital loss under the provisions of Subdivision 165-CB.

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Part C Unrealised losses – company only

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L Has a changeover time occurred in relation to the company after 1.00pm by legal time in the Australian Capital Territory on 11 November 1999?

A changeover time is the time of a change in majority ownership or in the control of a company.

To determine whether a company has failed the continuity of majority ownership test or the change of control test for the purposes of Subdivision 165-CC of the ITAA 1997, see:

- section 165-115C change in ownership of company
- section 165-115D change in control of company.

In determining whether there has been a change of ownership or control at a particular test time, the ownership or control profile is determined at two points in time, the reference time and the test time.

For this purpose, the reference (base) time is the later of 1.00pm (by legal time in the Australian Capital Territory) on 11 November 1999 (the commencement time) for a company in existence at that time (or the time when it came into existence if not), and the time immediately after the last preceding changeover time, if any.

The continuity of majority ownership test is subject to the 'same share and interest' rule in section 165-165 of the ITAA 1997. This requires (subject to special rules for share and unit 'splits' or 'consolidations') that exactly the same shares must continue to be held by the same persons throughout the 'test period' (that is, from reference time to test time) to count towards satisfaction of the test. Interests in any other entity (for example, shares in another company) must be exactly the same interests and beneficially owned by the same persons.

There is a 'saving rule' in section 165-115C of the ITAA 1997 which provides that if the continuity of majority ownership test would have been satisfied but for the operation of the 'same share and interest rule', the test time is not a changeover time if the company has information from which it is reasonable to conclude that less than 50% of the company's unrealised net loss has been or will be duplicated as a result of any CGT event that happened during the test period.

Subdivision 166-CA of Division 166 of the ITAA 1997 modifies the way in which Subdivision 165-CC of the ITAA 1997 applies to a widely held company or eligible Division 166 company.

If the answer is yes, print **X** in the **Yes** box at **L**, and complete **M**.

If the answer is no, print **X** in the **No** box at **L**, and do not complete **M**, **N** or **O**.

M At the changeover time did the company satisfy the maximum net asset value test under section 152-15 of the ITAA 1997?

Any company that has a net value of CGT assets of $6 million or less, as determined under section 152-15 of the ITAA 1997, at the time it failed the continuity of majority ownership test, is not subject to the operation of Subdivision 165-CC of the ITAA 1997. The maximum threshold amount of $6 million includes the net value of the CGT assets of the company and any entity connected or affiliated with the company as referred to in section 152-15 of the ITAA 1997.

If the answer is yes, print **X** in the **Yes** box at **M**, and do not complete **N** and **O**.

If the answer is no, print **X** in the **No** box at **M**, and complete **N**.

If a company has failed the continuity of majority ownership test on two or more occasions since the commencement time, complete **M** in respect of the latest changeover time.

N If you printed X in the No box at M, has the company determined it had an unrealised net loss at the changeover time?

The 'same business test' and the 'similar business test' will be collectively known as 'business continuity test'. At the time of publishing, the changes had not yet become law. Losses cannot be accessed under this new test until the law is passed. For more information, see Increasing access to company losses.

Where a company that answered yes at **L** and no at **M** has an unrealised net loss at the changeover time, the company cannot, to the extent of the unrealised net loss, have capital losses taken into account or deduct revenue losses in respect of CGT events that happen to CGT assets owned at the changeover time, unless the company satisfies the business continuity test. Whether a company has an unrealised net loss at the time of the change is determined in accordance with the method statement in section 165-115E of the ITAA 1997.

If the answer is yes, print **X** in the **Yes** box at **N**, and complete **O**.

If the answer is no, print **X** in the **No** box at **N**, and do not complete **O**.

If a company has failed the continuity of majority ownership test on two or more occasions since the commencement time, complete **N** in respect of the latest changeover time. Subdivision 165-CC of the ITAA 1997 requires a company to determine whether it has an unrealised net loss each time that it experiences a changeover time.

O If you printed X in the Yes box at N, what was the amount of unrealised net loss calculated under section 165-115E of ITAA 1997?

Subdivision 165-CC of the ITAA 1997 does not specify when a company has to calculate whether it has an unrealised net loss. However, this calculation must be done before claiming any loss or deduction on an asset that was held at the changeover time. Where no calculation has been undertaken as at the date of lodging the company's income tax return, print **X** in the **No** box at **N**, and do not complete **O**.

An unrealised net loss is, broadly, the excess of the company's unrealised losses on assets over unrealised gains on assets at the changeover time. This is determined by deeming such assets to be disposed of at market value at the changeover time. A company may choose to exclude every asset that it acquired for less than $10,000 from the calculation of the amount. A company may also choose to use the written down value of depreciable plant (not a building or structure) at the changeover time, rather than its market value at that time, provided:

- the expenditure incurred by the company to acquire the plant was less than $1 million, and
- it would be reasonable for the company to conclude that the market value of the plant at the changeover time was not less than 80% of its written down value at that time.

Whether a company has an unrealised net loss at a changeover time is calculated using the steps in the method statement below.

Method statement

Step 1

In respect of each CGT asset that the company owned at the changeover time, calculate any:

- notional capital gain or notional revenue gain
- notional capital loss or notional revenue loss in respect of the asset at that time.

The notional calculation is made on the assumption that the company disposed of the asset at its market value at the changeover time. The company has a notional revenue gain equal to the excess for an asset that is an item of trading stock, if the item's market value at the changeover time exceeded:

- the latest valuation under Division 70 of the ITAA 1997, or
- the cost of the item at the changeover time (if there is no valuation under Division 70).

The company has a notional revenue loss equal to the difference if the item's market value at the changeover time was less than the

- latest valuation under Division 70, or
- cost of the item at the changeover time (if there is no valuation under Division 70).

Step 2

Add up the sum of the company's notional capital gains and the sum of the company's notional revenue gains. The total is the unrealised gross gain at the changeover time.

Step 3

Add up the sum of the company's notional capital losses and the sum of the company's notional revenue losses. The total is the unrealised gross loss at the changeover time.

Step 4

If the unrealised gross loss at the changeover time exceeds the unrealised gross gain at that time, the excess is the company's preliminary unrealised net loss.

Step 5

Add up the company's preliminary unrealised net loss and any capital loss or deduction disregarded under Subdivision 170-D of the ITAA 1997. The total is the company's unrealised net loss.

Write at **O** the amount of unrealised net loss the company has at the changeover time.

Write zero at **O** if the company has an unrealised net gain at the changeover time.

The Commissioner of Taxation may give advice about methods to be used, and other things to be done, in valuing assets for the purposes of Subdivision 165-CC of the ITAA 1997.

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Part D Life insurance companies

30 May 2019

Part D must be completed for those companies that carry on the business of life insurance and that have the following losses carried forward to later income years in the complying superannuation class:

- tax losses, or
- net capital losses.

Do not include tax losses or net capital losses of the complying superannuation class in other parts of the schedule.

Show the tax losses utilised of the complying superannuation class (claimed as a deduction under section 320-141 of the ITAA 1997) in *Life insurance companies taxation schedule*.

P Complying superannuation class tax losses carried forward to later income years

Write at **P** the amount of tax losses carried forward to later income years from the complying superannuation class. This includes prior year tax losses from the complying superannuation/ class carried forward if they have not been deducted.

A life insurance company has a tax loss of the complying superannuation class for an income year if, in that income year, the company's complying superannuation deductions exceed the sum of the:

- assessable income from the complying superannuation class, and
- net exempt income that is attributable to the complying superannuation class of assets.

Q Complying superannuation net capital losses carried forward to later income years

Write at **Q** the amount of net capital losses carried forward to later income years from the complying superannuation class. This includes prior year net capital losses from the complying superannuation class carried forward if they have not been applied.

A life insurance company has a net capital loss from the complying superannuation class for the income year if, in that income year, the capital losses made from complying superannuation class of assets exceed all capital gains made from complying superannuation class of assets.

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Part E Controlled foreign company (CFC) losses

30 May 2019

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Controlled foreign companies no longer quarantine revenue losses into separate classes of notional assessable income. However, CFC losses continue to be quarantined in the CFC that incurred them.

The amounts at **M**, **N** and **O** are the totals of the entity's share of losses incurred by CFCs. The entity's share of a loss of a CFC is calculated by applying its attribution percentage in the CFC to the loss of the CFC.

M Current year CFC losses

Write at **M** the total amount of the entity's share of CFC losses, if any, for the statutory accounting period that ends within 2018–19.

N CFC losses deducted

Write at **N** the total of the entity's share of CFC losses, if any, that have been claimed as notional allowable deductions in calculating the CFC's attributable income for the statutory accounting period that ends within 2018–19.

O CFC losses carried forward

Write at **O** the total amount of the entity's share of undeducted CFC losses, if any, that are available to be carried forward to statutory accounting periods that end in later income years.

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Part F Tax losses reconciliation statement

30 May 2019

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This part requires you to reconcile the entity's tax losses brought forward from the prior income year with those carried forward to later income years.

Do not include net capital losses or film losses at this item.

A Balance of tax losses brought forward from prior year

Write at **A** the undeducted and not transferred amount of tax losses incurred by the entity and brought forward to 2018–19 under section 36-15 or section 36-17 (as applicable) of the ITAA 1997.

B Uplift of tax losses of designated infrastructure project entities

A company or a fixed trust that is a designated infrastructure project (DIP) entity in an income year is able to uplift its unutilised tax losses before deducting them. The tax losses are uplifted by the income year's long-term bond rate, which is the year's average yield for 10-year non-rebate Australian Treasury bonds.

To be eligible for the uplift:

- the project that you are undertaking must be designated; and
- you must notify the Commissioner that you are a DIP entity.

If an entity is a DIP entity only for part of an income year in which the uplift occurs, the uplift is apportioned according to the number of days in the income year for which it was such an entity.

The tax losses will continue being uplifted in future income years until the entity either fully deducts them or stops being a DIP entity. An entity will cease to be a DIP entity and therefore not be able to uplift its tax losses when it stops carrying on the DIP or if it engages in activities that are not for the purpose of the DIP.

For more information, see **Designated infrastructure project entities**.

If the entity is a DIP entity, write at **B** the amount of the uplift of tax losses as determined under Division 415 of the ITAA 1997.

C Net forgiven amount of debt

Tax losses brought forward are reduced by any commercial debt forgiveness amounts (Division 245 of the ITAA 1997). If a commercial debt owed by the entity is forgiven during the income year, then you should apply the net forgiven amount to reduce the following attributes of the entity in the order listed:

- deductible revenue losses
- net capital losses
- certain undeducted revenue or capital expenditure, and then
- cost base of CGT assets.

Write at **C** the total net forgiven amount applied to reduce tax losses (if any) incurred in years of income before the forgiveness year of income.

D Tax loss incurred (if any) during current income year

Write at **D** the entity's tax loss for the year disregarding net exempt income and excess franking offsets.

There is a limit on the total of the amount you can deduct for the income year for gifts and contributions (section 26-55 of the ITAA 1997). A tax loss cannot be produced or increased by the deduction allowable under Division 30 of the ITAA 1997, which is about deductions for gifts or contributions.

E Tax loss amount from conversion of excess franking offsets

If the entity is a corporate tax entity and has excess franking offsets, it must convert the excess franking offsets into an amount of tax loss to carry forward to later income years. You convert the amount of excess franking offsets into a tax loss by dividing the excess franking offsets amount by the corporate tax rate, which gives you the tax loss amount. You record the amount of this tax loss at **E**.

F Net exempt income

Write at **F** the amount of net exempt income to be taken into account in calculating the entity's tax loss or carried forward tax loss.

You must first deduct a prior year tax loss from any net exempt income in the later income year.

G Tax losses forgone

On 1 March 2019, legislation received Royal Assent that will supplement the current 'same business test' for company loses with a more flexible 'similar business test'. The 'same business test' and the 'similar business test' will be collectively known as 'business continuity test'. For more information, see Increasing access to company losses.

Write at **G** the amount of tax losses that have been forgone by the entity, that is, tax losses that will not be deducted in any later income year.

For example, a company cannot deduct a tax loss unless:

- it has the same owners and the same control throughout the period from the start of the loss year to the end of the income year, or
- it satisfies the same business continuity test by carrying on the same or a similar business, and satisfies the four factors in subsection 165-211; see Subdivision 165-A and Subsection 165-211 of the ITAA 1997.

In addition, where all or part of a tax loss of a company is cancelled because the company has created exploration credits under Division 418 of the ITAA 1997 (the **exploration development incentive** or junior minerals exploration incentive, the amount of the tax loss that has been cancelled must be included in the amount at **G**.

H Tax losses deducted

Write at **H** tax losses deducted during the income year under section 36-15 or section 36-17 (as applicable) of the ITAA 1997.

I Tax losses transferred out under Subdivision 170-A

If the entity is a company, write at **I** the amount of tax losses transferred out by the company to group companies under Subdivision 170-A of the ITAA 1997.

J Total tax losses carried forward to later income years

Write at **J** the total of tax losses carried forward to later income years.

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Taxpayer's Declaration

30 May 2019

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If you do not lodge the schedule with the tax return, you must sign and date page 4 of the schedule.

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Abbreviations

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ABN	Australian business number
CGT	capital gains tax
CFC	controlled foreign company
film loss	film component of tax loss
ITAA 1936	Income Tax Assessment Act 1936
ITAA 1997	Income Tax Assessment Act 1997
IT(TP)A 1997	*Income Tax (Transitional Provisions) Act 1997*
PDF	pooled development fund
TFN	tax file number

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More information

30 May 2019

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Publications

Publications referred to in these instructions

- **Capital gains tax (CGT) schedule 2019** (NAT 3423)
- **Company tax return 2019** (NAT 0656)
- **Company tax return instructions 2019**
- **Fund income tax return instructions 2019** (NAT 71605)
- **Guide to capital gains tax 2019** (NAT 4151)
- **Income Tax Assessment Act 1936** (ITAA 1936)
- **Income Tax Assessment Act 1997** (ITAA 1997)
- **Losses schedule 2019** (NAT 3425)
- **Trust tax return instructions 2019**
- Law Companion Ruling **LCR 2019/1** *The business continuity test – carrying on a similar business*

To get an ATO publication

If you are not a tax agent:

- go to **ato.gov.au/publications** for publications, taxation rulings, practice statements and forms
- phone **1300 720 092**.

If you are a tax agent:

- go to taxagents.iorder.com.au
- order by fax on **1300 361 462**.

Phone

- **Business 13 28 66**
  Information about business income tax, fringe benefits tax (FBT), fuel tax credits (FTC), goods and services tax (GST), pay as you go (PAYG) and activity statements, including lodgment and payment, accounts and business registration (including Australian business number and tax file number), and dividend and royalty withholding tax.
- **Tax agents 13 72 86**
  For enquiries from registered tax agents
- **Individual 13 28 61**
  Individual income tax and general personal tax enquiries
- **Superannuation 13 10 20**

Other services

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If you are deaf or have a hearing or speech impairment, you can phone us through the National Relay Service (NRS) on the numbers listed below, and ask for the ATO number you need:

- TTY users, phone **13 36 77**. For ATO 1800 free call numbers, phone **1800 555 677**.
- Speak and Listen (speech to speech relay) users, phone **1300 555 727**. For ATO 1800 free call numbers, phone **1800 555 727**.

- Internet relay users, connect to National relay service call numbers

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If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.