

Capital allowances schedule instructions 2011

To help you complete your capital allowances
schedule for 1 July 2010 – 30 June 2011

These instructions will help you complete your *Capital allowances schedule 2011* (NAT 3424).

There is a 'sample only' schedule at the back of this publication. If you would like a blank schedule, phone our Publications Distribution Service on **1300 720 092**.

You need only one schedule for all your depreciating assets. You do not need to complete a separate schedule for each asset.

These instructions include worksheets to help you complete the schedule. Do not lodge the worksheets with your tax return.

YOU MAY NEED:

- instructions for the relevant income tax return
- *Guide to depreciating assets 2011* (NAT 1996).



For more information:

- go to **www.ato.gov.au**
- phone us on **13 28 61**.



OUR COMMITMENT TO YOU

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information in this publication and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

If you make an honest mistake in trying to follow our information in this publication and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money, and we may also charge you interest. If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for more recent information on our website at www.ato.gov.au or contact us.

This publication was current at **May 2011**.

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PUBLISHED BY

Australian Taxation Office
Canberra
May 2011

JS 17983

DO YOU NEED TO COMPLETE A CAPITAL ALLOWANCES SCHEDULE 2011?

! INDIVIDUAL TAXPAYERS

You do not need to complete a *Capital allowances schedule 2011*. We no longer require you to complete a schedule for your individual tax return for 2011 onwards.

Small business entities who have chosen to use the simplified depreciation rules do not need to complete a schedule.

Other taxpayers need to answer the questions below. If you answer 'yes' to either part of the question, you need to complete a *Capital allowances schedule 2011*.

QUESTION: Did you have more than \$100,000 at either of these labels on your income tax return?

Label	Where label found	Yes	No
Depreciation expenses (see note)	Company, partnership and trust tax returns only	<input type="checkbox"/>	<input type="checkbox"/>
Deduction for decline in value of depreciating assets	Company, fund, and self-managed superannuation fund returns only	<input type="checkbox"/>	<input type="checkbox"/>

! SMALL BUSINESS ENTITIES

Broadly, a small business entity is a business with an aggregated turnover of less than \$2 million.

You do not include information in this schedule about depreciating assets that are subject to the small business entity simplified depreciation rules. See our publication *Concessions for small business entities* (NAT 71874) for information about these rules.

TAXPAYER INFORMATION

In the spaces provided at the top of the schedule, complete your entity's:

- tax file number (TFN)
- Australian business number (ABN), if any, and
- name.

PART A – DEPRECIATING ASSETS FIRST DEDUCTED IN THE 2011 INCOME YEAR

This part requires information about any depreciating assets, tangible or intangible, whose decline in value you are claiming for the first time this income year – for example, assets that you start to use for a taxable purpose this income year. You can only include assets that:

- are covered by the uniform capital allowance system (UCA), and
- you have used for a taxable purpose.

A taxable purpose is:

- the purpose of producing assessable income
- the purpose of exploration or prospecting
- the purpose of mining site rehabilitation, or
- environmental protection activities.

If you did not complete the items **Intangible depreciating assets first deducted** or **Other depreciating assets first deducted** on your tax return you do not need to complete this part of the schedule. Go to part B.

See the *Guide to depreciating assets 2011* for information about the UCA and for more information on any of the terms referred to in this part.

! NOTES

- 1 Do not include assets you acquired this year for which you are not claiming a deduction for decline in value. You will include those assets in the year you begin to claim deductions for them.
- 2 For **A**, **B** and **C**, include the cost of assets for which the UCA provides a specific treatment. For example, include the cost of:
 - low-cost assets that have been allocated to a low-value pool
 - primary production assets, and
 - assets used in exploration or prospecting.
- 3 For **A** and **B**, do not include capital expenditure you have allocated to a software development pool for the income year.
- 4 The cost of an asset may not be the same as its purchase price. The purchase price may be adjusted in certain circumstances, (for example, to the car limit which then becomes the first element of its cost).
- 5 The cost shown in part A should include any amounts included in the second element of cost. For more information on cost, see the *Guide to depreciating assets 2011*.

Item 1: Total cost of depreciating assets (excluding motor vehicles)

Assets each costing less than \$1,000

At **A**, write the total cost of all depreciating assets:

- that cost less than \$1,000 each, and
- for which you are claiming a deduction for decline in value for the first time this income year.

NOTE

Do not include motor vehicles. These are included at item **3**.

Item 2: Total cost of depreciating assets (excluding motor vehicles)

Assets each costing \$1,000 or more

At **B**, write the total cost of all depreciating assets:

- that cost \$1,000 or more each, and
- for which you are claiming a deduction for decline in value for the first time this income year.

NOTE

Do not include motor vehicles. These are included at item **3**.

Item 3: Total cost of motor vehicles

At **C**, write the total cost of all motor vehicles for which you are claiming a deduction for decline in value for the first time this income year.

NOTE

Do not include the cost of cars for which you have calculated car expenses using the cents per kilometre method or the 12% of original value method. You cannot deduct an amount for the decline in value of these cars under the UCA.

Item 4: Self-assessed effective life

For most depreciating assets, you can choose to:

- work out the effective life yourself (self-assess), or
- use an effective life determined by the Commissioner.

If you have adopted the Commissioner's effective life determination for all your depreciating assets included at **A**, **B** and **C**, print **X** in the **No** box at **D**. Go to part B of this schedule.

If you have self-assessed the effective life of any of your depreciating assets included at **A**, **B** or **C**, print **X** in the **Yes** box at **D**. Go to **E** and **F**.

At **E**, write the total cost of all your depreciating assets (excluding motor vehicles) for which you:

- self-assessed the effective life, and
- are claiming a deduction for decline in value for the first time this income year.

At **F**, write the total cost of all your motor vehicles for which you:

- self-assessed the effective life, and
- are claiming a deduction for decline in value for the first time this income year (see note to item **3**).

Go to part B of this schedule.

PART B – FOR ALL DEPRECIATING ASSETS

This part requires information about all your depreciating assets. You can only include assets that:

- are covered by the UCA, and
- you have used for a taxable purpose.

For more information on any of the terms referred to in this part, see the *Guide to depreciating assets 2011*.

Item 1: Information from depreciating assets worksheet

Worksheet 1: Depreciating assets has been reproduced from the *Guide to depreciating assets 2011*.

The letters **G**, **H**, **I**, **J** and **K** on the worksheet correspond to the same labels on the *Capital allowances schedule 2011*. Transfer the amounts from the labels on **worksheet 1** to the corresponding labels on the schedule.

At **J**, on both **worksheet 1** and the schedule, do not include any amounts from a low-value pool.

In some cases you may need two copies of **worksheet 1**, for example, if you have both primary production and non-primary production assets. If you are using more than one copy of **worksheet 1**, add up the amounts at the same label on each worksheet and transfer the total to the corresponding label on the schedule.

Do not include information about the decline in value of depreciating assets that are:

- deductible under the specific primary production provisions of the UCA such as water facilities, horticultural plants and grapevines (some of the concepts used to work out the decline in value of these assets are different from those used in the worksheet), or
- allocated to a low-value pool (these assets are covered by **worksheet 2** and are dealt with at item **2**).

At **G**, write the total assessable income you have from balancing adjustment events that occurred this income year for your depreciating assets (this type of assessable income may arise if, for example, you disposed of a depreciating asset for more than its adjustable value). The total assessable income from balancing adjustment events is the amount at **G** on **worksheet 1**. If you do not have any assessable balancing adjustment amounts this income year, leave this label blank.

At **H**, write the total deductible amount you have from balancing adjustment events that occurred this income year for your depreciating assets (this type of deduction may arise if, for example, you disposed of a depreciating asset for less than its adjustable value). The total deduction is the amount at **H** on **worksheet 1**. If you do not have any deductible balancing adjustment amounts this income year, leave this label blank.

At **I**, write the total amount of your deductions for decline in value calculated using the prime cost method. This amount is found at **I** on **worksheet 1**. If you have not calculated any of your deductions for decline in value using the prime cost method, leave this label blank.

At **J**, write the total amount of your deductions for decline in value calculated using the diminishing value method. This amount is found at **J** on **worksheet 1**. Do not include amounts from a low-value pool, as these are covered by **worksheet 2** and are included at item **2**. If you have not calculated any of your deductions for decline in value using the diminishing value method, leave this label blank.

At **K**, write the total of the adjustable values of your depreciating assets as at the end of this income year. This amount is found at **K** on **worksheet 1**.

Item 2: Information from low-value pool worksheet

Worksheet 2: Low-value pool has also been reproduced from the *Guide to depreciating assets 2011*. The labels **L, M, N, O, P** and **Q** on the worksheet correspond to the same labels on the *Capital allowances schedule 2011*. Transfer the amounts from the labels on **worksheet 2** to the corresponding labels on the schedule.

At **L**, write the closing pool balance of your low-value pool for the previous income year. This amount is found at **L** on **worksheet 2**.

At **M**, write the total cost (as at the end of this income year) of all the low-cost assets allocated to your low-value pool this income year. Show the cost before any adjustment for taxable-use percentage. This amount is found at **M** on **worksheet 2**.

At **N**, write the total of the opening adjustable values of all low-value assets allocated to the low-value pool in this income year. This amount is found at **N** on **worksheet 2**.

At **O**, write the total of any amounts included in the second element of cost of:

- assets in the low-value pool at the start of this income year and
- low-value assets added to the pool in this income year.

Amounts spent on improving an asset are an example of a second element of cost. Show the second element of cost before any adjustment for taxable-use percentage. This amount is found at **O** on **worksheet 2**.

At **P**, write the closing balance of the low-value pool for this income year. This amount is found at **P** on **worksheet 2**.

At **Q**, write the total termination values of assets in the low-value pool for which a balancing adjustment event occurred. Generally, the termination value is what you receive or are taken to have received for the asset as a result of a balancing adjustment event, such as the proceeds from selling the asset. Show the termination value before any adjustment for taxable-use percentage. This amount is found at **Q** on **worksheet 2**.

Item 3: Recalculation of effective life

You may recalculate the effective life of assets in certain circumstances if the effective life you have been using is no longer accurate. There are also circumstances where you must recalculate the effective life of a depreciating asset.

If you have not recalculated the effective life of any of your depreciating assets in this income year, print **X** in the **No** box at **R**. Go to part C.

If you have recalculated the effective life of any of your depreciating assets this income year, print **X** in the **Yes** box at **R**. Go to **S** and **T**.

At **S**, write the total opening adjustable value of any depreciating assets (excluding motor vehicles) for which you recalculated the effective life this income year.

At **T**, write the total opening adjustable value of any motor vehicles for which you recalculated the effective life this income year. Go to part C.

PART C – PROJECT POOLS

This part requires information on project amounts. You can deduct amounts over the life of a project for project amounts allocated to a project pool. If you do not have any project pools, you do not need to complete this section. Go to part D.

See the *Guide to depreciating assets 2011* for information on project amounts and how to work out your deductions.

Item 1: Project pools

At **U**, write the number of project pools you have. A separate project pool is required for each project.

At **V**, write the total closing pool value of all your project pools for the previous income year.

At **W**, write the total closing pool value of all your project pools for this income year.

The closing pool value of a project pool is:

■ the closing pool value for the previous year (if any)

plus

■ any project amounts allocated for the year

less

■ the deduction for project amounts for the year (worked out assuming the project operates wholly for a taxable purpose).

Item 2: Amounts allocated this income year

At **X**, write the total of any amounts allocated to a project pool this income year which were incurred for environmental assessments for the project. If you have not allocated any such amounts to a project pool, leave this label blank.

At **Y**, write the total of any amounts you have allocated to a project pool for mining capital expenditure or transport capital expenditure incurred this income year. If you have not allocated any such amounts to a project pool, leave this label blank.

At **Z**, write the total of all other project amounts you have allocated to a project pool this income year. If there were no other project amounts, leave this label blank.

PART D – ENTITIES ENGAGED IN EXPLORATION OR PROSPECTING

This part requires information on your deductions for the decline in value of depreciating assets used in exploration or prospecting. If you did not claim any deductions for depreciating assets used in exploration or prospecting, you do not need to complete this part.

At **A**, write the total of your deductions for decline in value of intangible depreciating assets used in exploration or prospecting.

At **B**, write the total of your deductions for decline in value of other depreciating assets used in exploration or prospecting.

PART E – TAXATION OF FINANCIAL ARRANGEMENTS (TOFA)

This part requires information about the gains and losses from your relevant hedging financial arrangements.

You need to complete this part only if:

- the TOFA rules apply to you
- you have made a valid election to use the hedging financial arrangements method under Subdivision 230-E of the ITAA 1997, and
- you have **relevant** hedging financial arrangements.

A hedging financial arrangement is a relevant hedging financial arrangement if:

- the hedging financial arrangements method applies to the gains and losses from the arrangement, and
- the gains or losses from it are recognised over the same time that the decline in value and balancing adjustments are recognised for the depreciating asset.

At **C**, write the total of all assessable gains allocated to this income year from relevant hedging financial arrangements.

At **D**, write the total of all deductible losses allocated to this income year from relevant hedging financial arrangements.

MORE INFORMATION

For more information about the TOFA rules, see *Guide to the taxation of financial arrangements (TOFA) rules* in *Taxation of financial arrangements (TOFA)* available at www.ato.gov.au/tofa

! CHECK THAT YOU HAVE...

- filled in the identification information required at the top of page 1 of the schedule (TFN, ABN and entity name), and
- completed all the labels that are relevant to your circumstances.

If the schedule is not lodged with the income tax return, an appropriately authorised person must sign page 2 of the schedule.

If there are any errors, your schedule may be ineffective and will be returned to you to complete correctly. Returns lodged without all the required schedules may not be considered to have been lodged in the approved form. If you fail to lodge all schedules by the due date, a penalty may be applied.

