



COMPANY TAX RETURN PREPARATION CHECKLIST 2018

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BE RECOGNISED.



Company Tax Return Preparation Checklist 2018

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

Disclaimer

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This information is based on legislation current as at 8 June 2018.

ENTITY'S NAME	
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PRIOR YEAR TAX RETURN CONSIDERATIONS	YES	NO	N/A
Has last year's tax return been checked for reversing timing differences (e.g. accruals and provisions)?			
Has last year's tax return been checked for recurring timing differences that may need to be considered in the current year (e.g. amortisation of software development pool or blackhole expenditure deductible in accordance with section 40-880 of the <i>Income Tax Assessment Act 1997</i>)?			
Has last year's tax return been checked for tax losses and capital losses carried forward to the current income year?			
Have you checked the prior year action sheet for prior year carry forward issues?			

Comments:

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)	YES	NO	N/A
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GENERAL

Have all balance sheet items been reviewed (e.g. deductibility of consumable stores, asset write-offs, assessability of deferred income, tax treatment of bills of exchange etc.)?			
Have all movements in provisions been adjusted for (e.g. provision for annual leave, provision for long service leave, provision for obsolete stock, provision for doubtful debts, provision for warranties etc.)?			
Have sundry creditors been reviewed for accruals / provisions which have not been legally incurred by year end and for non-deductible accrued expenditure (e.g. accrued audit expenditure under <i>Income Tax Ruling IT 2625</i> and accrued superannuation expenditure)?			
Have sundry debtors been reviewed for prepayments and accrued income (e.g. interest receivable)?			
Has accrued FBT been correctly calculated on the basis that a deduction is being claimed for the FBT instalment referable to the June 2018 quarter and an amount added-back of the FBT instalment referable to the June 2017 quarter if claimed in the prior year (as per <i>Taxation Ruling TR 95/24</i>)? Note: refer to CPA Australia's 2018 FBT checklist for details of each category of fringe benefits and their valuation rules.			

DIVISION 7A

For private companies, have loans, payments and debt forgiveness to shareholders or their associates (or former shareholders and their associates) been considered for Division 7A purposes? If Division 7A applies, please refer to CPA Australia's 2018 Division 7A checklist for further information.			
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STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)	YES	NO	N/A
PREPAYMENTS			
Have all prepayments of less than \$1,000 been claimed as an immediate tax deduction?			
Have all prepayments required to be made by law or under an order of a court (e.g. prepaid workcover expenditure) been claimed as an immediate tax deduction?			
Have all prepayments of more than \$1,000 which were not required to be made under a law or a court order been capitalised and apportioned over the eligible service period to which the prepayment relates?			
Where the company is a Small Business Entity (SBE), is an immediate deduction available under the 12-month rule where the eligible service period is 12 months or less? Note: an entity will be regarded as an SBE for the year ended 30 June 2018 if it carries on business in the 2018 year and its aggregated turnover is less than \$10 million for that year. The aggregated turnover test not only requires the calculation of the taxpayer's annual turnover but also that of any affiliate or entity connected with the taxpayer at any time during the year. Aggregated turnover can be calculated under the look back, look forward or actual results tests.			
TRADING STOCK			
Does the company have trading stock?			
Does the opening balance of trading stock for tax purposes agree with the closing balance of trading stock in last year's income tax return?			
Is the closing stock valuation method adopted by the company acceptable for both accounting and tax purposes? If not, can the tax valuation be justified and is it adequately documented? Should the valuation method be reviewed to either defer or bring forward assessable income? Note: consider the benefits of revaluing closing value of trading stock at year end using the lower of cost, market selling value or replacement value if seeking to reduce taxable income. This choice is available in relation to each item or category of trading stock.			
Has the company disposed of any trading stock outside the normal course of business? If so, has the market value of the trading stock on the day of the disposal been included in the company's assessable income in accordance with section 70-90 of the <i>Income Tax Assessment Act 1997</i> ?			
Where stock is valued at cost price, is a full absorption costing basis being used?			
Has the treatment of goods-in transit and consignment stock been considered in the valuation of trading stock?			
Has a deduction been claimed for consumable stores on hand at balance date?			
Has a review been conducted to identify whether any stock is obsolete?			
INTELLECTUAL PROPERTY			
Have you considered the depreciation rules for certain intellectual property (e.g. certain patents and copyrights) under section 40-95(7) of the <i>Income Tax Assessment Act (1997)</i> ? Note: the <i>Treasury Laws Amendment (2017 Enterprises Incentive No. 1) Bill 2017</i> proposes that taxpayers be able to self-assess the effective life of the above intangible depreciating assets rather than mandatorily apply the existing statutory effective life specified in the table in s.40-95(7) where the taxpayer starts to hold such assets from 1 July 2016. However, the Bill has not been enacted as at the time of this update.			
DEBT / EQUITY			
Has the application of the Debt / Equity rules under Subdivision 974-B of the <i>Income Tax Assessment Act (1997)</i> been considered for all related party loan interests, hybrid securities and other financial instruments issued by the company? If so, has the characterisation of the financial arrangement as being a debt or equity interest been correctly characterised for income tax purposes? Note: from 1 July 2005 an at call loan is treated as a debt interest where the amount is a related party at call loan, and the borrowing company has an annual GST exclusive turnover of less than \$20 million at the end of the income year. However, that loan will be treated as equity for tax purposes for any year in which that \$20 million threshold is exceeded. Accordingly, it may be necessary in some cases to annually review the company's turnover to determine if the at call loan should be treated as debt or equity for tax purposes.			

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STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS)	YES	NO	N/A
GENERAL			
Have you considered whether accounting net profit/loss before tax (Item 6 label T) reconciles to the profit and loss statement? If these do not reconcile, determine the nature of the difference(s).			
Have expenses in the detailed profit and loss statement been reviewed generally for non-deductible items (e.g. for non-deductible entertainment, private expenses, donations made to entities who are not deductible gift recipients, subscriptions to private publications, capital legal expenses etc.)?			
Have operating and / or finance leases and hire purchase agreements been properly treated for tax purposes?			
For interest claimed, has the deductibility of the interest been considered in the light of the use of borrowed funds?			
Have all timing differences been identified such as foreign exchange gains and losses which are only generally recognised when realised for non-TOFA entities?			
If the ATO notified you of a Shortfall Interest Charge (SIC) or General Interest Charge (GIC) liability, has this been claimed as a deduction?			
Have penalties paid (excluding GIC or SIC) to the ATO or as otherwise charged under an Australian or foreign law been treated as non-deductible and interest received from the ATO brought to account as assessable income?			
Has the treatment of discounts on short-term securities (e.g. bills of exchange, promissory notes) been considered?			
Has interest received been grossed up for any TFN withholding tax deducted and a credit claimed in respect of the amount of tax deducted?			
Has the entity derived income that is exempt from tax or which is non-assessable non-exempt income (e.g. non-portfolio foreign dividends received on equity interests in overseas subsidiaries or exempt foreign branch income)?			
Have you considered if any of the income recorded in the accounts could be regarded as unearned income in accordance with the principle in <i>Arthur Murray</i> and therefore should not be included in income for the current year? Note: review any deferred income or other creditors shown in the balance sheet to ensure that there is no income which needs to be recognised as being derived for income tax purposes applying the principle in <i>Arthur Murray (NSW) Pty Ltd v FCT (1965) 114 CLR 314</i> .			
For travel expenses, have travel diaries been kept (where applicable) along with other supporting documentation?			
Has the timing of income and expenditure been considered for long-term construction contracts (if applicable)?			
Has the potential deductibility of expenditure which has been capitalised for accounting purposes (e.g. capitalised interest) been considered?			
Are management fees / consultancy fees paid to related entities calculated on an arm's length basis and supported by appropriate documentation?			
Where the company is carrying on a professional services business does it have a service trust, and is the service fee charged deductible under section 8-1 of the <i>Income Tax Assessment Act (1997)</i> in accordance with the principles set out in <i>Taxation Ruling TR 2006/2</i> ? Note: ATO guidance, Your service entity arrangements provides practical guidance as to whether the fees charged under a service arrangement are commercially realistic and reasonably connected to the business carried on by the professional practice including a range of 'safe harbour' commercial rates that could be applied as a mark-up on the cost of providing particular services.			

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STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS)	YES	NO	N/A
DECLINE IN VALUE (DEPRECIATION)			
Have you ensured this year's tax opening adjustable value agrees to last year's closing adjustable value?			
Has the effective life of new additions been reviewed, applying <i>Taxation Ruling TR 2017/2</i> ? Is there merit in self-assessing the effective life of any acquired depreciating assets during the year, (and if so has any documentation been retained to justify any shorter effective life applied, and disclosure been made in the return)?			
Have additions been reviewed to ensure depreciation has been correctly claimed on depreciating assets? Have additions for accounting and tax purposes been reconciled?			
Has the balancing adjustment for disposed or scrapped assets been reviewed? Has any salvage value been included in assessable income?			
Has the company stopped using a depreciating asset which has not otherwise been sold or physically scrapped during the 2018 year, in which case a balancing adjustment deduction may be available?			
Have repairs to depreciating assets been expensed for accounting purposes, but capitalised for tax purposes as an improvement, been treated as additions to the tax fixed assets schedule and depreciated?			
Has the motor vehicle depreciation cost limit of \$57,581 been applied when calculating depreciation on a car acquired during the 2018 year for tax purposes? Refer to <i>Taxation Determination TD2017/18</i> for further details.			
Has a profit on the sale of previously leased motor vehicles been brought into account?			
Have plant conversion and relocation costs been capitalised and depreciated?			
For construction of income-producing buildings or for building extensions, alterations and improvements, is a capital works deduction available under Division 43 of the <i>Income Tax Assessment Act (1997)</i> ?			
Have repairs to buildings which have been expensed for accounting purposes constitute alterations, improvements or extensions to existing buildings which would constitute deductible capital works expenditure under Division 43 of the <i>Income Tax Assessment Act (1997)</i> ?			
Is capital expenditure relating to buildings being correctly claimed at the rate of 2.5% or 4% (which will differ depending on when the construction expenditure was incurred and whether it relates to industrial buildings)?			
Can the company write-off the cost of any structural improvements or environment protection earthworks under Division 43 of the <i>Income Tax Assessment Act (1997)</i> ?			
For companies that are Small Business Entity (SBE) taxpayers, can depreciating assets acquired during the 2018 year, costing less than \$20,000, be written off immediately under the SBE capital allowance provisions? Have such assets been used or installed ready for use by year end? Note: an entity will be regarded as an SBE for the year ended 30 June 2018 if it carries on business in the 2018 year and its aggregated turnover is less than \$10 million for that year. The aggregated turnover test not only requires the calculation of the taxpayer's annual turnover but also that of any affiliate or entity connected with the taxpayer at any time during the year. Aggregated turnover can be calculated under the look back, look forward or actual results tests. Note: the \$20,000 threshold for the immediate asset write-off is calculated on a GST exclusive basis for a purchasing entity which is registered for GST purposes Note: an SBE's assets excluded from concessional treatment include horticultural plants, assets allocated to a low value pool or software development pool and certain other assets.			

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STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS)	YES	NO	N/A
DECLINE IN VALUE (DEPRECIATION) (continued)			
<p>Is the 2018 closing balance of the low value pool of an SBE taxpayer's depreciating assets less than \$20,000 as that balance can be immediately written off?</p> <p>Have assets costing more than \$20,000, acquired during the 2018 year, been depreciated as an addition to the SBE's general small business pool at 15% (regardless of the date of acquisition) if used or installed ready for use by 30 June 2018 (and at 30% in subsequent years)? The opening balance of prior year pooled assets is similarly depreciated at 30%.</p> <p>Note: the Federal Government proposed in the 2017-18 Federal Budget on 8 May 2018 to extend the \$20,000 threshold applied under the small business entity depreciation rules for a further 12 months until 30 June 2019. Accordingly, small business entities will be able to, amongst other things, claim an immediate deduction for eligible depreciating assets that cost less than \$20,000 if used or installed ready for use by 30 June 2019 should this proposal be enacted.</p>			
<p>For companies that are not small business entities, have depreciating assets costing less than \$1,000 been included in a low-value depreciation pool?</p> <p>Note: the depreciation rate for such low-cost assets is 18.75% in the year of addition and 37.5% in subsequent years.</p> <p>Note: once a non-SBE taxpayer has allocated a low-cost asset to a low-value pool all low-cost assets subsequently acquired must be allocated to that pool.</p> <p>Have low-value depreciating assets which have been written off to less than \$1,000 under the diminishing value method as at 1 July 2017 also been included in this pool?</p> <p>Note: the depreciation rate for low-value assets added to the pool is essentially 37.5% of the opening adjustable value of such assets at the start of the year when they are allocated to the pool.</p> <p>Note: certain depreciating assets cannot be pooled, including non-business assets costing \$300 or less, certain portable electronic devices, horticultural plants, assets previously depreciated under the prime cost method and assets subject to the small business entity capital allowance rules.</p> <p>Note: a deduction for the decline in value is only available to the extent of the taxable percentage use of any pooled depreciating assets.</p>			
<p>Has the company allocated expenditure incurred on the development of in-house software which is used solely for a taxable purpose to a software development pool rather than wait until the software is created and used or held ready for use as a depreciating asset.</p> <p>Note: taxpayers are required to create a separate software development pool for each income year for which they incur expenditure on in-house software. Where such expenditure is incurred on or after 1 July 2015, no deduction can be claimed in the first year the expenditure is incurred but such costs will be deductible at a rate of 30% in years two to four and a rate of 10% in year five.</p>			
<p>Have the blackhole expenditure rules in section 40-880 been considered in respect of any business capital expenditure incurred during the year?</p> <p>Such expenditure may be regarded as eligible blackhole expenditure where it is not deductible, depreciable or included in the cost base of a CGT asset. Eligible blackhole expenditure is deductible over five years in equal proportions (and there is no pro-rating of the deduction in the year the expenditure is incurred by the taxpayer).</p> <p>It may be available in relation to the taxpayer's business or in respect of a former business that used to be carried on or in respect of a business that is proposed to be carried on provided there is a sufficient and relevant connection between the expenditure incurred and the business carried on (see <i>Taxation Ruling TR 2011/6</i>).</p> <p>Note: section 40-880(5) also provides that no deduction is available under the blackhole deductibility rules where, amongst other things, the expenditure forms part of the cost of land or depreciating asset; it would be taken into account in working out an assessable profit, a deductible loss, a capital gain or a capital loss; it relates to a lease or other legal or equitable right; or if it is deductible under another provision of the income tax assessment acts.</p> <p>Note: there is a 100% immediate write off available to an SBE for capital expenditure incurred in relation to a proposed business structure or operation where the costs are incurred on or after 1 July 2015 by an SBE that is not carrying on a business in that income year. Eligible start-up costs which can be written off include, amongst others, legal and accounting advice on how the business can best be structured and implemented.</p>			
<p>Note: disclosures are required to be made at Items 9 and 10 of the income tax return in relation to depreciating assets and depreciation claimed.</p>			

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STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS)	YES	NO	N/A
NON-RESIDENT COMPANIES			
<p>Has the residency status of the company been determined? Where the company is a non-resident the matters listed below should be considered.</p> <p>Note: <i>Draft Taxation Ruling TR 2017/D2</i> set out the Commissioner's view on how to apply the central management and control test in determining the residency status of a company under the definition of a 'resident' company under section 6 (1) of the <i>Income Tax Assessment Act (1936)</i>.</p>			
Has income from only Australian sources / permanent establishments been included in assessable income?			
Have applicable double tax treaties been considered, particularly the articles dealing with business profits and permanent establishments?			
For companies that do not have a permanent establishment in Australia – have dividends, interest and amounts attributed to MIT fund payments (that are franked or subject to withholding tax) been excluded from the calculation of taxable income?			
For companies that have a permanent establishment in Australia – have interest, amounts attributed to MIT fund payments, dividends and their franking credits (that are not subject to withholding tax) been included in the calculation of taxable income?			
<p>Have the capital gains tax implications of a sale of taxable Australian property by a foreign resident company been considered?</p> <p>Note: the <i>Treasury Laws Amendment (Reducing Pressure on Housing Affordability Measures No.2) Bill 2018</i> proposes to amend the foreign resident CGT regime under Division 855 of the <i>Income Tax Assessment Act (1997)</i> to clarify that the principal asset test be applied on an associate inclusive basis in determining whether the foreign resident has indirect Australian real property interest effective from 9 May 2017.</p>			
SUPERANNUATION			
Have all superannuation contributions claimed for the year been received by a complying fund before year end? If not, have accrued superannuation contributions been added back?			
<p>Has the entity provided the prescribed level of superannuation for each employee pursuant to the Superannuation Guarantee Scheme?</p> <p>Note: the <i>Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 2) Bill 2017</i> proposes to amend the ordinary times earnings base on which the 9.5% superannuation guarantee percentage is calculated from 1 July 2018 to include any amount that has been voluntarily salary sacrificed into superannuation that would otherwise have been regarded as ordinary time earnings. Should the amending Bill be enacted it may be necessary to review the calculation of superannuation guarantee contributions made in respect of employees making such salary sacrificed contributions for the 2019 year where the employer has previously calculated superannuation guarantee contributions on an ordinary time earnings excluding salary sacrifice contributions.</p>			
<p>Has a Superannuation Guarantee charge amount been paid by the entity?</p> <p>If so, has the amount been added back as non-deductible? If a late superannuation contribution was offset against the superannuation guarantee charge, the offset amount is not deductible.</p> <p>Note: from 1 July 2012 directors of a company can be held personally liable for unpaid superannuation guarantee amounts.</p>			
CAPITAL GAINS			
<p>Have all capital gains arising under the CGT provisions for the 2018 year been correctly identified?</p> <p>Are any of these capital gains exempt?</p>			

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STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS)	YES	NO	N/A
CAPITAL GAINS (continued)			
<p>Did the company apply any CGT rollover relief in respect of disposals of CGT assets during the 2018 year?</p> <p>Note: a company which is a small business entity may apply small business CGT restructure rollover relief where the eligibility conditions set out in Subdivision 328-G of the <i>Income Tax Assessment Act (1997)</i> have been satisfied. To recap, a company will be a small business entity for the 2018 year where it carries on business and its aggregated turnover is less than \$10 million.</p>			
<p>Have all elements of the cost base of a CGT asset be considered in relation to any CGT event occurring in relation to that CGT asset for the year ended 30 June 2018? In particular, have all eligible incidental costs on acquisition and disposal be considered as well as any capital improvements in the cost base of the asset? Does the market valuation substitution rule apply?</p>			
<p>As the capital proceeds received on the disposal of the CGT asset under CGT event being correctly determined? Does the market value substitution rule apply?</p>			
<p>Where pre-CGT acquired assets were sold during the 2018 year were there any sales of related separate post CGT assets (particularly taking into account the 2018 CGT improvement threshold of \$147,582 as set out in <i>Taxation Determination TD 2017/16</i>)?</p>			
<p>Have any capital gains calculations been reviewed for their correctness?</p>			
<p>Have the necessary adjustments been made where the accounting gain / loss does not equal the capital gain / loss for tax purposes?</p>			
<p>Have you considered the unrealised loss rules in Subdivision 165-CC of the <i>Income Tax Assessment Act (1997)</i> in relation to the disposal of CGT assets that were held at a changeover time (i.e. change in the ownership or control of the company)?</p> <p>Note: the purpose of Subdivision 165-CC of the <i>Income Tax Assessment Act (1997)</i> is to restrict the availability of a capital loss, deduction or trading stock loss where there is a change of majority ownership or control of the company which earlier made an unrealised loss in respect of a CGT asset. Where there is an unrealised net loss at the changeover time, any capital loss, deduction or trading stock loss subsequently made by the company in respect of a CGT event on the happening of a CGT event will be disallowed up to the amount of the unrealised loss unless the company satisfies the same business test (SBT) for the period immediately before the changeover time to the period in which the capital loss or deduction is recouped.</p>			
<p>Have you considered whether capital gains may be able to be reduced, eliminated or deferred in accordance with the small business CGT concessions?</p> <p>Note: various eligibility conditions which must be met in order for a capital gain to be reduced under the small business CGT concessions. For more information refer to CPA Australia's 2018 Tax planning checklist.</p>			
<p>Has any sale consideration been received during the year under an eligible earnout arrangement relating to the prior year disposal of a CGT active asset in which case the consideration received is disregarded in the 2018 year but will form part of the capital proceeds relating to the disposal of that asset in that earlier year?</p> <p>Note: care should be taken to ensure that all the requirements of being an eligible earnout arrangement under Subdivision 118-I of the <i>Income Tax Assessment Act (1997)</i> are satisfied.</p>			
<p>Have you considered whether capital gains made in relation to shares in foreign companies can be reduced or eliminated under Subdivision 768-G of the <i>Income Tax Assessment Act (1997)</i>?</p>			
REPAIRS AND MAINTENANCE			
<p>Have repairs and maintenance claims been reviewed to ensure they are of a revenue nature and contain no capital items?</p> <p>Note: further guidance as to when repair expenditure will be deductible under section 25-10 of the <i>Income Tax Assessment Act (1997)</i> is set out in <i>Taxation Ruling TR 97/23</i>. An amount will not be regarded as being a deductible repair where it constitutes capital expenditure relating to the replacement of an entire asset (as opposed to part of an asset), a capital improvement or an initial repair.</p>			

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STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS)	YES	NO	N/A
TAXATION OF FINANCIAL ARRANGEMENTS			
Have you considered the application of TOFA rules to the company?			
Has the disclosure at item 7E and 7W been reconciled to the financial and other income disclosures at item 8T and 8U?			
BAD DEBTS			
Have bad debts written off during the year been claimed as a tax deduction? Is there documentation on file evidencing the company's inability to collect the debt?			
Have any of these debts been compromised or released before being written off in which case a bad debt deduction will not be available?			
<p>For bad debts claimed as deductions during the year has:</p> <ul style="list-style-type: none"> the debt been physically written off prior to balance date, or is there a Board minute authorising the writing-off of the debt prior to year end, confirming that the debt is irrecoverable? the debt either previously been returned as assessable income by the company or does it represent a loan made in the ordinary course of a money lending business? the company satisfied the Continuity of Ownership Test (COT) or, alternatively, the Same Business Test (SBT) during the period from when the debt was created to when the debt is proposed to be written off as bad? <p>Note: the <i>Treasury Laws Amendment (2017 Enterprises Incentive No. 1) Bill 2017</i> proposes to insert an alternate business continuity test to the same business test which will be known as the 'similar business test' which will apply to income years commencing on or after 1 July 2015 if enacted.</p>			
Comments:			
TAX RETURN FORM COMPLETION	YES	NO	N/A
STATUS OF COMPANY (ITEM 3)			
Has the relevant disclosure been completed for a consolidated head company or a subsidiary member thereof where the subsidiary member is completing a part year return?			
Note: refer to the ATO's income tax returns and consolidation instructions, including the consolidation reference manual .			
Comments:			
INTERPOSED ENTITY SELECTION STATUS (ITEM 4)			
Has the company made an interposed entity election (IEE)?			
Note: a company may be required to make an IEE to be included in the family group of a trust that has made a family trust election. Where a trust that has made a family trust election distributes income or capital to a company which is not part of the family group and has not made an IEE, the distribution may be subject to family trust distributions tax (FTDT), which is currently levied at a rate of 47% on the trustee of the family trust. Note that subsequent distributions by a company that has made an IEE of income to entities outside the family group may also attract FTDT.			
Comments:			

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TAX RETURN FORM COMPLETION	YES	NO	N/A
TAXATION OF FINANCIAL ARRANGEMENTS (TOFA) (ITEMS 7E and 7W of reconciliation of taxable income or loss)			
<p>Has the company correctly calculated its TOFA gains, TOFA losses or TOFA transitional balancing adjustments (if applicable)?</p> <p>Assuming yes, please consider the TOFA disclosures to be made at items 7 and 8 and the international dealing schedule (if applicable).</p> <p>Note: the TOFA rules apply to the following entities:</p> <ul style="list-style-type: none"> • authorised deposit-taking institutions, securitisation vehicles, and financial sector entities with an aggregated turnover of \$20 million or more • a superannuation entity, a managed investment schemes or a similar status under a foreign law if the value of the entity's assets is \$100 million or more • any other entity (excluding an individual) which satisfies one or more of the following: <ul style="list-style-type: none"> ▪ an aggregated turnover of \$100 million or more ▪ assets of \$300 million or more or ▪ financial assets of \$100 million or more. <p>The aggregated turnover test includes the annual turnover of any entity a company is connected with, or any affiliate of the company (including foreign resident companies and trusts).</p> <p>Note: an entity that is not mandatorily subject to TOFA can make an election to have TOFA apply to its financial arrangements. An election for TOFA to apply can be made at any time during the income tax year and applies from the first day of the income year in which election is made. TOFA elections are complex and cannot be revoked. Accordingly, care should be taken before such an election is made.</p>			
FINANCIAL AND OTHER INFORMATION (ITEM 8)			
Have all the appropriate disclosures been made at Item 8?			
Where applicable, has the company disclosed debit loans provided during the year to shareholders or associates of shareholders who are natural persons, partnerships or trusts? (Label 8N)			
Where applicable, has the company disclosed all payments made during the year (including salaries, wages, commissions, superannuation contributions and allowances) to related persons? (Label 8Q)			
Have total salary and wages expenditure been disclosed and reconciled to Label W1 on the BAS?			
Has the gains and losses from financial arrangements (that are subject to TOFA) been disclosed at Labels 8S, 8T and 8U been reconciled to Labels 7E and 7W?			
CAPITAL ALLOWANCE (ITEM 9)			
Did the company hold any depreciating assets (tangible or intangible) during the year?			
If so, have the appropriate disclosures been made in relation to the company's capital allowances?			
SMALL BUSINESS ENTITY SIMPLIFIED DEPRECIATION (ITEM 10)			
Is the company a small business entity?			
If so, have the appropriate small business entity depreciating assets and small business capital allowance claim been disclosed?			
Note: an entity will be regarded as a Small Business Entity (SBE) for the year ended 30 June 2018 if it carries on business in the 2018 year and its aggregated turnover is less than \$10 million for that year.			
CONSOLIDATION DEDUCTIONS RELATING TO RIGHTS TO FUTURE INCOME, CONSUMABLE STORES AND WORK IN PROGRESS (ITEM 11)			
For consolidated groups, have there been any deductions claimed for the 2018 income year relating to rights to future income, consumable stores and work in progress?			
The categories for the above deductions should be classified and disclosed as follows:			
<ul style="list-style-type: none"> • pre-rules deductions (arising before 12 May 2010) • interim rules deduction (arising between 12 May 2010 and 30 March 2011) • prospective rule deductions (arising on or after 31 March 2011). 			

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TAX RETURN FORM COMPLETION	YES	NO	N/A
NATIONAL RENTAL AFFORDABILITY SCHEME (NRAS) (ITEM 12)			
Has the entity derived rent in respect of dwelling from renting it on an affordable housing basis under the NRAS for the income year which will entitle the company to a tax offset shown at Label J?			
Has the entity been issued with a certificate by the Secretary of the Department of Social Security under the NRAS? Note: only entities who have obtained this certificate are entitled to the refundable tax offsets.			
LOSSES INFORMATION (ITEM 13)			
Has the continuity of ownership and / or same business test of the company been reviewed to ensure the deductibility of a bad debt or a prior year tax loss / capital loss claimed by the company? Note: the <i>Treasury Laws Amendment (2017 Enterprises Incentive No. 1) Bill 2017</i> proposes to insert an alternate business continuity test to the same business test which will be known as the 'similar business test' which will apply to income years commencing on or after 1 July 2015 if enacted.			
Does the company have tax losses and net capital losses in excess of \$100,000? If so, has a losses schedule or consolidated group losses schedule been completed?			
Does the head company of a consolidated group or multiple entry consolidated group have transferred tax losses carried forward to the 2018 year greater than \$100,000? If so, has a consolidated group's losses schedule been completed?			
Does the company have an interest in a controlled foreign company that has 2018 losses greater than \$100,000, or has it deducted or carried forward a loss greater than \$100,000 to later income years? If so, a loss schedule must also be completed.			
PERSONAL SERVICES INCOME (ITEM 14)			
Does the income of the company include income which is an individual's personal services income (PSI)? If yes, the company must complete the PSI disclosures at item 14. Note: PSI is included in the individual's personal income tax return. PSI is income that is mainly a reward for an individual's personal efforts or skills. Please refer to CPA Australia's 2018 PSI / PSB Self-Assessment Checklist for further information as to when PSI derived via a company will be regarded as being derived by an individual.			
FOREIGN INCOME TAX OFFSET (ITEM 20)			
Have you worked out the amount of foreign income tax offset if applicable?			
RESEARCH AND DEVELOPMENT TAX INCENTIVE (ITEM 21)			
Have you considered whether the company is an R&D entity which is eligible for a 43.5% refundable R&D tax offset (i.e. applicable to certain entities with an aggregated turnover of less than \$20 million) or a 38.5% non-refundable R&D tax offset (i.e. applicable to certain entities with an aggregated turnover of \$20 million or more)? Note: where an entity's notional R&D deductions exceed \$100 million for an income year, the rate of the R&D tax offset is reduced to the company tax rate for that portion exceeding \$100 million. Note: the Federal Government proposed in the 2018-19 Federal Budget on 8 May 2018 that the rate of the refundable tax offset would be fixed at 13.5% above the relevant company tax rate, and that the amount of the refundable tax offset that could be cashed out would be limited to \$4 million with the balance of any offset entitlement being treated as a non-refundable offset effective from 1 July 2018. For companies only eligible for the non-refundable offset the Federal Government has proposed that the rate of the non-refundable offset be determined by the incremental intensity of the research and development undertaken which is also to take effect from 1 July 2018.			

Company Tax Return Preparation Checklist 2018

TAX RETURN FORM COMPLETION	YES	NO	N/A
RESEARCH AND DEVELOPMENT TAX INCENTIVE (ITEM 21) (continued)			
<p>Has a Research and Development Tax Incentive Schedule 2018 been prepared and lodged with the company tax return? This is required when Item 21 labels A or U are completed.</p> <p>Note: if an R&D claim is made in relation to notional deductions ensure these amounts are added back at label 7D in the reconciliation to taxable income or loss. To be eligible for the incentive, the company must be an R&D entity engaging in eligible R&D activities and have a notional R&D deduction of at least \$20,000. Prior to claiming the offset, check that the company has appropriately registered its R&D activities with AusIndustry.</p>			
<p>Where applicable, the company should disclose the feedstock adjustment amount that is included in its assessable income and included in item 21W (and in item 7B under 'other assessable income').</p>			
EARLY STAGE VENTURE CAPITAL LIMITED PARTNERSHIP (ITEM 22)			
<p>Check to see if the company is eligible for a non-refundable Early Stage Venture Capital Limited Partnership (ESVCLP) tax offset in the 2018 year as either a limited partner of the ESVCLP or as an investor in an ESVCLP through a partnership or trust.</p> <p>Note: a summary of the various eligibility rules concerning the tax offset are available on the ATO website.</p> <p>Note: check to see whether there is an amount of unused ESVCLP tax offset for the year ended 30 June 2017, which may be available to be utilised where the tax offset carry forward rules under Division 65 of the <i>Income Tax Assessment Act (1997)</i> are met.</p>			
EARLY STAGE INVESTOR (ITEM 23)			
<p>Check to see if the company is eligible for a non-refundable tax offset as an investor in a qualifying Early Stage Innovation Company (ESIC) in the 2018 year. Special rules must be met by both the investor and the ESIC before this offset will be available.</p> <p>Note: widely held companies and their subsidiaries are not entitled to the offset.</p> <p>Note: a summary of the various eligibility rules concerning the tax offset are available on the ATO website.</p> <p>Note: check to see whether there is an amount of unused early stage investor tax offset for the year ended 30 June 2017, which may be available to be utilised where the tax offset carry forward rules under Division 65 of the <i>Income Tax Assessment Act (1997)</i> are met.</p>			
REPORTABLE TAX POSITION (ITEM 25)			
<p>Has the company been notified by the ATO that it is required to lodge a Reportable Tax Position (RTP) Schedule 2018?</p> <p>Note: the RTP schedule requires large companies to disclose their material tax positions. Further details on what constitutes a 'reportable tax position' can be found on the ATO website.</p> <p>Note: the RTP will be expanded to apply to all companies in an economic group with a turnover greater than \$250 million from 1 July 2018.</p>			
OVERSEAS TRANSACTIONS OR INTERESTS / THIN CAPITALISATION / FOREIGN SOURCE INCOME (ITEMS 26-30)			
<p>Have the transfer pricing provisions in Subdivision 815-B of the <i>Income Tax Assessment Act (1997)</i> (and the need for commercial arm's length principles been applied to cross-border transactions with international related parties) been considered?</p>			
<p>Are the arm's length conditions of cross-border transactions consistent with the arm's length methodologies approved by the OECD as effectively required under section 815-135 of the <i>Income Tax Assessment Act (1997)</i>?</p>			
<p>Has the company prepared contemporaneous documentation in respect of the arm's length conditions of any cross-border transaction setting out the arm's length methodology used in identifying the arm's length conditions and pricing of such a transaction? Does such documentation satisfy the requirements of Subdivision 284-E of Schedule 1 of the <i>Taxation Administration Act (1953)</i> and <i>Taxation Ruling TR 2014/8</i>?</p>			

Company Tax Return Preparation Checklist 2018

TAX RETURN FORM COMPLETION	YES	NO	N/A
OVERSEAS TRANSACTIONS OR INTERESTS / THIN CAPITALISATION / FOREIGN SOURCE INCOME (ITEMS 26-30)			
Is the company eligible to elect to apply the simplified transfer pricing record keeping options under <i>Practical Compliance Guideline PCG 2017/2</i> to reduce the amount of contemporaneous transfer pricing documentation administratively required to be retained in order to ensure that a penalty for a failure to maintain a reasonably arguable position will not be imposed?			
Consider the interaction of the thin capitalisation and transfer pricing provisions under Subdivision 815-B of the <i>Income Tax Assessment Act (1997)</i> on interest claimed on any cross-border related party debt. Note: section 815-140 of the <i>Income Tax Assessment Act (1997)</i> essentially provides that the transfer pricing provisions under Subdivision 815-B may apply to reduce any interest rate charged on related party debt to an arm's length amount which may result in reduced debt deductions. The thin capitalisation provisions under Division 820 of the <i>Income Tax Assessment Act (1997)</i> are then applied after any transfer pricing benefit has been cancelled to determine whether an entity's adjusted average debt exceeds its maximum allowable debt.			
a. Is the aggregate amount of the company's transactions or dealings with international related parties (including the value of any property transferred or the balance outstanding on any loans) greater than \$2,000,000?			
b. Does the entity need to work out its maximum allowable debt (e.g. the safe harbour debt amount) under thin capitalisation provisions in Division 820 of the <i>Income Tax Assessment Act (1997)</i> ? Note: the following entities are subject to the thin capitalisation provisions: <ul style="list-style-type: none"> • Australian entities with certain overseas operations, and their associate entities (outward investors) • Australian entities that are foreign controlled (inward investors) • Foreign entities with operations or investments in Australia that are claiming debt deductions (inward investors). Note: check whether the outward investor's foreign assets represent less than 10% of its total assets. If so, the exemption in section 820-37 of the <i>Income Tax Assessment Act (1997)</i> may apply. Note: check whether the sum of the company's debt deductions together with all of its associate entities is \$2 million or less. If so, the exemption under section 820-35 of the <i>Income Tax Assessment Act (1997)</i> may apply.			
c. Has the company any overseas branch operations?			
d. Has the company a direct or indirect interest in a foreign trust, foreign company, controlled foreign entity or transferor trust?			
If the answer to (a), (b), (c) or (d) is yes, has an International Dealings Schedule (IDS) 2018 been prepared?			
Comments:			
CALCULATION STATEMENT			
Is the company a base rate entity for the 2018 year? A company will be regarded as a base rate entity for the year ended 30 June 2018 if it carries on business in this year and has an aggregated turnover of less than \$25 million worked out as at the end of the year. Note: the 27.5% company tax rate will be extended in the year ended 30 June 2019 to apply to a base rate entity being a company which carries on a business and which has an aggregated turnover of less than \$50 million for the 2019 year. Note: the <i>Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill (2017)</i> proposes to replace the requirement that a company be carrying on a business in order to be a base rate entity with the requirement that the company's assessable income must be comprised 80% or less of passive income in the relevant income year effective from the 2018 year. This Bill has yet to be enacted as at that date of this update.			

Company Tax Return Preparation Checklist 2018

TAX RETURN FORM COMPLETION	YES	NO	N/A
CALCULATION STATEMENT (continued)			
Is the company not a base rate entity for the 2018 year? Where the company is not a base rate entity a standard company tax rate of 30% will be applied to the taxable income derived by the non-base rate entity. This will be the case where either the company is not carrying on a business in the 2018 year and/or has an aggregated turnover for that year of \$25 million or more.			
Have all the applicable non-refundable non-carry forward tax offsets been included (e.g. foreign income tax offset and franking credit tax offset)? (Label C)			
Have all the applicable non-refundable carry forward tax offsets been included (e.g. non-refundable R&D tax offset)? (Label D)			
Have all refundable tax offsets been included (e.g. refundable R&D tax offset and film tax offset)? (Label E and I)			
Have all eligible credits been included (e.g. credit for TFN withholding tax)? (Label H)			
Has a credit been claimed for any amount withheld under the foreign resident capital gains tax withholding rules at Label H8 in the calculation statement of the return? Note: the rate of foreign resident CGT withholding tax that must be retained by a purchaser at settlement from the purchase price of a property was increased from 10% to 12.5% effective from 1 July 2017. However, such tax does not need to be retained from the purchase price of the property if the vendor obtains a clearance certificate from the ATO prior to settlement or if an exemption or variation otherwise applies. It should be noted that the foreign resident CGT withholding obligation does not arise in relation to a CGT asset if the market value of that asset is less than \$750,000, and the CGT asset is either taxable Australian real property or certain indirect taxable Australian real property interests.			
Have all PAYG instalments paid during the year been included? (Label K)			
OTHER ATO FORMS / ELECTIONS	YES	NO	N/A
TAX CONSOLIDATION			
Is the company a member of a wholly-owned group of companies which has not consolidated? If yes, have the benefits of entering the tax consolidation regime been considered?			
Have any members of the consolidated group left during the year and, if so, has the ATO been appropriately notified? (Note that the ATO is required to be notified within 28 days of an entity leaving the group)			
NOTICES AND ELECTIONS			
Have all the relevant notices and / or elections relied on by the entity been properly prepared?			
Where applicable have you completed all required schedules such as: <ul style="list-style-type: none"> dividend and interest schedules capital gains tax schedule. 			
Have all notices and / or elections, where lodgment is not required, been appropriately sighted and retained on record?			
DIVIDEND IMPUTATION / FRANKING ACCOUNT			
Has the franking account been prepared in accordance with the simplified imputation rules?			
Check to ensure that the amount of any franking credits attached to a dividend does not exceed the maximum franking credit available to be franked by the company.			

Company Tax Return Preparation Checklist 2018

OTHER ATO FORMS / ELECTIONS	YES	NO	N/A
DIVIDEND IMPUTATION / FRANKING ACCOUNT (continued)			
<p>Check to ensure that dividends have been franked to the correct extent given that the company tax rate for a company which is a base rate entity has been reduced to 27.5% for the year ended 30 June 2018 so that only a company which is a non-base rate entity is subject to a 30% tax rate for the year ended 30 June 2018.</p> <p>Note: the cut in the company tax rate for a company which is a base rate entity has resulted in changes to the maximum franking credit which can be passed on to shareholders which is based on a company tax rate determined according to the aggregated turnover made by the company in the immediately preceding year. Hence, a company must work out its company tax rate for franking purposes in the 2018 year as if its aggregated turnover for the 2017 year had been notionally derived in the 2018 year.</p> <p>Note: if a company derived an aggregated turnover which is less than \$25 million in the 2017 year it will frank any dividend it makes during the year ended 30 June 2018 at a rate of 27.5% on the basis that its 2017 aggregated turnover is taken to apply in the 2018 year albeit for franking purposes only.</p> <p>Note: if a company's aggregated turnover threshold for the 2017 year is equal to or exceeds \$25 million the maximum franking credit that can be attached to a dividend paid in the 2018 year will be based on a 30% company tax rate.</p> <p>Note: the <i>Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill (2017)</i> proposes further changes to the dividend imputation provisions effective from the 2018 year as a corollary to the proposed amendments to the definition of a base rate entity. This Bill has yet to be enacted as at that date of this update.</p>			
<p>Has the franking percentage applied to the first distribution been applied to all other distributions made during the relevant franking period in accordance with the franking benchmark percentage rule?</p> <p>Has there been any over-franking or under-franking of dividends?</p>			
<p>If there is greater than 20% variance of the benchmark franking percentage between franking periods has the ATO been notified?</p>			
<p>Is there a franking deficit at year end?</p> <p>If so, is the company aware that a franking account return must be lodged together with franking deficit tax payable within a month of the end of the franking year?</p> <p>Note: a company which pays franking deficit tax at year end will record a franking credit in its franking account and will be entitled to a franking deficit tax offset. However, the amount of that franking deficit tax offset will be reduced by 30% if the amount of the franking deficit exceeded 10% of the company's total franking credits for the relevant year.</p>			
<p>Has the 45/90 holding period rule been considered in relation to dividends received by the company?</p>			
<p>Have the dividend washing provisions been considered?</p>			
INTERNATIONAL DEALINGS SCHEDULE			
<p>Has all assessable foreign sourced income been identified and returned as assessable income?</p> <p>If so, has foreign income been grossed up for the appropriate taxes?</p>			
<p>Has withholding tax been deducted from interest, royalties and unfranked dividends paid to non-residents or offshore / foreign 'branches' of resident companies during the year?</p>			
<p>Have management fees, software licence fees etc. paid to overseas entities been examined to determine whether they are within the definition of royalties?</p>			
<p>Have insurance premiums been paid by the entity to non-resident insurers?</p> <p>If so, has the appropriate amount been deducted and a return been furnished in respect of the foreign premiums as required under Division 15 of the <i>Income Tax Assessment Act 1936</i>?</p>			
<p>Have you considered the CFC rules in relation to the attribution of income?</p>			
<p>Have you considered the 'transferor trust' rules in relation to the attribution of income?</p>			

Company Tax Return Preparation Checklist 2018

OTHER ATO FORMS / ELECTIONS	YES	NO	N/A
GENERAL VALUE SHIFTING REGIME			
Have the value shifting rules been considered in respect of: <ul style="list-style-type: none"> • any acquisitions or disposals of equity or debt interests in the company (or the company's subsidiaries, if appropriate) • creation of rights in non-depreciating assets • non-arm's length dealings with related parties? 			
OTHER TAX ISSUES			
Do the amounts disclosed in the Labels on the Business Activity Statements of the company reconcile to the relevant accounts of the company?			
Has the carry forward action sheet (attached to this checklist) been completed?			

Company Tax Return Preparation Checklist 2018

ENTITY'S NAME	INITIAL	DATE
Preparer		
Reviewer		
Partner		

Year ended 30 June 2018

CARRY FORWARD ACTION SHEET				
Date	Item Carried Forward	\$	Working Paper Ref	Checked By
	Net revenue losses carried forward			
	Net capital losses carried forward			
	CGT small business rollover amount			
	Other CGT rollover			
	Other assessable income amount			
	Other deductible expenses (i.e. prepayments)			
	Franking amount balance			

POINTS FOR PARTNER REVIEW		
Date	Review Point	Checked By