

# Company Tax Return Preparation Checklist 2009

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The following income tax return 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.)

**Entity's Name**

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 considering in the current year (e.g. amortisation of computer software and blackhole expenditure deductible in accordance with section 40-880 of the Income Tax Assessment Act 1997)?			
Has last year's tax return been checked for tax losses and capital losses carried forward to the current financial 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
<b>General</b>			
Have all balance sheet items been reviewed (e.g. deductibility of consumable stores, 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 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 and accrued superannuation expenditure)?			
Have sundry debtors been reviewed for prepayments and accrued income (e.g. interest receivable)?			
Does accrued FBT represent the FBT instalment payable by the company in the month preceding year end (which is therefore deductible as per TR95/24)?			
<b>Division 7A</b>			
For private companies, have loans, payments and debt forgiveness to shareholders or their associates been considered in the light of section 109 and Division 7A (deemed dividend)? If Division 7A applies, please refer to CPA Australia's 2009 Division 7A checklist for further information.			
<b>Prepayments</b>			
Have all prepayments of less than \$1,000 been claimed as an immediate tax deduction?			

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Statement of Financial Position (Balance Sheet)	Yes	No	N/A
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?			
<b>Trading Stock</b>			
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 that valuation be justified and is it adequately documented?			
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 disposal been included in the company's assessable income in accordance with section 70-90 of the Income Tax Assessment Act 1997?			
Where stock is valued at cost price, is a full absorption costing basis being used?			
Has the treatment of goods-in-transit and consignment stock been considered in the valuation of trading stock?			
Has a deduction been claimed for consumable stores on hand at balance date?			
<b>Intellectual Property</b>			
Have you considered the deduction rules for intellectual property under Division 40 of the ITAA 1997?			
<b>Debt/Equity</b>			
Have the application of the Debt/Equity rules been considered for all loan interests in the company? (Note: the transition period for at-call loans expired on 1 July 2005 but a carve-out from these rules applies to small businesses with an annual turnover of less than \$20 million).			

Comments:

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Statement of Financial Performance (Profit And Loss)	Yes	No	N/A
<b>General</b>			
Have expenses 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 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 penalties paid (excluding GIC) 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?			
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 claim made for the amount deducted?			
Has the entity derived income that is exempt from tax or which is non-assessable non-exempt income (e.g. non-portfolio dividends received from listed countries)?			
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?			
Has the potential deductibility of expenditure which has been capitalised for accounting purposes been considered?			
Are management fees/consultancy fees paid to related entities commercially realistic and supported by appropriate documentation?			
Have insurance premiums been paid by the entity to non-resident insurers?			
Have management fees, software licence fees, etc. paid overseas been examined to determine whether they are within the definition of royalties?			
<b>Decline in Value (Depreciation)</b>			
Have you ensured this year's tax opening balance agrees to last year's closing balance?			
Has the effective life of new acquisitions been reviewed?			
Has the balancing adjustment for disposed or scrapped assets been reviewed?			
Have repairs expensed for accounting purposes, but capitalised for tax purposes, been treated as additions to the tax fixed assets schedule and depreciated?			
Have additions to buildings and construction-in-progress been reviewed to ensure depreciation has been claimed on units of depreciable plant?			
For construction of new income-producing buildings or for extensions, alterations or structural improvements, is a deduction available for a capital allowance under the capital works provisions under Division 43?			
Has scrapped plant and equipment (for which a deduction has been claimed) been physically scrapped, or set aside for scrapping, during the year?			
Has the motor vehicle depreciation cost limit of \$57,180 (2008/2009) been applied when calculating depreciation?			
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 Small Business Entity taxpayers, have assets costing less than \$1,000 been written off immediately and assets costing more than \$1,000 been pooled into a depreciation pool?			

# Company Tax Return Preparation Checklist 2009

Statement of Financial Performance (Profit And Loss)	Yes	No	N/A
<b>Decline in Value (Depreciation) (Continued)</b>			
For taxpayers that are not Small Business Entities, have assets costing less than \$1,000 been included in a low-value depreciation pool?			
<p>Temporary Investment Allowance:</p> <p>Check to see if any asset expenditure is eligible for the bonus tax deduction in respect of the Temporary Investment Allowance. The bonus deduction will arise where an entity acquires and installs a new asset or incurs new expenditure on an existing asset that will be principally used in carrying on a business in Australia.</p> <p>In particular, an entity that carries on a business may be entitled to a bonus deduction of up to 50% if they:</p> <ul style="list-style-type: none"> <li>• commit to investing in the asset between 13 December 2008 and 31 December 2009 or</li> <li>• lease an asset between 13 December 2008 and 31 December 2009 and the taxpayer is entitled to claim a depreciation deduction on the leased asset and</li> <li>• first start to use the asset or have it installed ready for use, or (in the case of a new investment in an existing asset) bring the asset to its modified or improved state on or before 30 June 2010.</li> </ul>			
Have the black hole expenditure rules in Subdivision 40-I of the Income Tax Assessment Act 1997 (e.g. section 40-880) been considered for black hole capital expenditure?			
<b>Non-Resident Companies</b>			
Has income from only Australian sources been included?			
Have applicable double tax treaties been considered?			
Are dividends and interest subject to withholding tax and franked dividends excluded from the return?			
Have the capital gains tax implications of a sale of taxable Australian property been considered?			
<b>Superannuation</b>			
Have all superannuation contributions claimed for the year on behalf of employees been paid to the fund before year end? If not, have accrued superannuation contributions been added back?			
Has the entity provided the prescribed level of superannuation support for each employee pursuant to the Superannuation Guarantee Scheme?			
Has a Superannuation Guarantee charge amount been paid by the entity? If so, has the amount been added back as non-deductible?			
<b>Capital Gains</b>			
Have any capital gains tax calculations been reviewed for their correctness?			
Have the necessary adjustments been made where the accounting gain/loss does not equal the capital gain/loss for tax purposes?			
Have you considered whether capital gains may be able to be reduced/eliminated in accordance with the Small Business CGT concessions?			
<b>Repairs and Maintenance</b>			
Have repairs and maintenance claims been reviewed to ensure they are of a revenue nature and contain no capital items?			

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Statement of Financial Performance (Profit And Loss)	Yes	No	N/A
<b>Bad Debts</b>			
Have bad debts written off during the year been claimed as a tax deduction?			
For bad debts claimed as deductions during the year, has:			
<ul style="list-style-type: none"> <li>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?</li> </ul>			
<ul style="list-style-type: none"> <li>the debt either previously been returned as assessable income by the company or represents a loan made in the ordinary course of a money lending business?</li> </ul>			
<ul style="list-style-type: none"> <li>the company satisfied the Continuity of Ownership Test 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?</li> </ul>			
Comments:			

Tax Return Form Completion	Yes	No	N/A
<b>Status of Company (Item 3)</b>			
Has the relevant box been completed for a consolidated head company or a subsidiary member thereof where the subsidiary member is completing a part year return? <small>(Refer to the ATO's 'Income tax returns and consolidation' instructions).</small>			
Comments:			

<b>Interposed Entity Election Status (Item 4)</b>			
Has the company made an Interposed Entity Election (IEE)? <small>(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 that has not made an IEE, the distribution may be subject to Family Trust Distributions Tax (FDT) (a tax of 46.5% levied on the Trustee of the Family Trust. Note that, distributions by a company that has made an IEE of income to entities outside the family group may also attract FDT).</small>			
Comments:			

<b>Financial and other information (Item 8)</b>			
Have appropriate disclosures been made at Item 8?			
Has the company disclosed debit loans provided during the year to shareholders or associates of shareholders who are natural persons, partnerships or trusts?			
Has the company disclosed all payments made during the year (including salaries, wages, commissions, superannuation contributions and allowances) to related persons?			
Have total salary and wages expenditure been disclosed and reconciled to Label W1 on the BAS?			
Comments:			

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Tax Return Form Completion	Yes	No	N/A
<b>Small Business Entity Framework Depreciating Assets (Item 10)</b>			
Is the entity a Small Business Entity taxpayer? If so, have the appropriate Small Business Framework depreciating assets been disclosed?			

Comments:

<b>Entrepreneurs Tax Offset (Item 11)</b>			
For Small Business Entities, if the entity has an annual turnover of less than \$75,000 has the Entrepreneurs Tax Offset of 25% been considered?			

Comments:

<b>National Rental Affordability Scheme (Item 12)</b>			
Has the entity derived rent in respect of dwelling from renting it on an affordable housing basis under the NRAS for the income year?			
Has the entity been issued with a certificate by the Housing Secretary under the NRAS?			
Note: Only entities who have obtained this certificate are entitled to the refundable tax offsets.			

Comments:

<b>Losses Information (Item 13)</b>			
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 \$100 million income ceiling for the purposes of the same business test has been removed effective from 1 July 2005.			
Does the entity 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 entity consolidated group have transferred tax losses carried forward to 2008/2009 greater than \$100,000 and more than \$100,000 of those losses were contributed by a single entity?			
If so, has a consolidated groups transferred tax losses schedule been completed?			

Comments:

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Tax Return Form Completion	Yes	No	N/A
<b>Personal Services Income (Item 14)</b>			
Does the income of the company include income which is an individual's personal services income (PSI)? If yes, has the company completed a Personal Services Income Schedule?  (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. However, the application of the PSI rules are subject to certain exemptions.)			

Comments:

<b>Overseas Transactions or Interests/Thin Capitalisation/Foreign Source Income (Items 22-27)</b>			
Have the transfer pricing provisions in Part III Division 13 of the Income Tax Assessment Act 1936 (and the need for commercial arm's length principles been applied to transactions with offshore related parties) been considered?			
Has a Schedule 25A (Overseas transactions) been prepared? (Required where 'Yes' is answered to Item 20 or 21 on the income tax return).			
Have the thin capitalisation rules been considered if: <ul style="list-style-type: none"> <li>• The company controls foreign entities or business and</li> <li>• Has claimed a debt deduction of \$250,000 or more and</li> <li>• Less than 90% of the company's assets are Australian assets?</li> </ul>			
Have the thin capitalisation rules been considered if: <ul style="list-style-type: none"> <li>• The company is foreign controlled or is a foreign company and</li> <li>• Has claimed a debt deduction of \$250,000 or more?</li> </ul>			

Comments:

<b>Calculation Statement</b>			
Have all PAYG instalments paid during the year been included?			
Have all claimable foreign tax credits been included?			
Have all claimable imputation credits been included?			
Are there any other refundable credits claimable? (e.g. R&D tax offset)			

Comments:

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Other ATO Forms / Elections	Yes	No	N/A
<b>Tax Consolidation</b>			
Is the company a member of a wholly-owned group of companies? 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).			
<b>Notices And Elections</b>			
Have all the relevant notices and/or elections relied on by the entity been properly prepared?			
Where applicable have you completed the following elections/notices? <ul style="list-style-type: none"> <li>• Dividend and Interest Schedules and</li> <li>• Schedule 25A transfer pricing.</li> </ul>			
Have all notices and/or elections, where lodgement is not required, been appropriately sighted and retained on record?			
<b>Dividend Imputation/Frinking Account</b>			
Has the franking account been prepared in accordance with the simplified imputation rules?			
Has the franking percentage applied to the first distribution been applied to all other distributions made during the period?			
If there is greater than 20% variance of the benchmark franking percentage between franking periods has the ATO been notified?			
Is there a franking deficit at year end? If so, is the company aware that a franking account return must be lodged together with franking deficit tax payable within a month of the end of the franking year?			
Has the 45/90 day rule been considered in relation to dividends received/paid by the company?			
<b>International Dealings</b>			
Has all assessable foreign sourced income been identified and returned as assessable income? If so, has foreign income been grossed up for the appropriate taxes?			
Has withholding tax been deducted from interest, royalties and unfranked dividends paid to non-residents or offshore/foreign 'branches' of resident companies during the year?			
Have management fees, software license fees etc. paid to overseas entities been examined to determine whether they are within the definition of royalties?			
Have you considered the CFC and FIF rules in relation to the attribution of income?			
<b>Research and Development Expenditure</b>			
Have you considered the rules relating to the Research and Development Tax Concession?			
<b>General Value Shifting Regime</b>			
Have the value shifting rules been considered in respect of: <ul style="list-style-type: none"> <li>• Any acquisitions or disposals of equity or debt interests in the company (or the company's subsidiaries, if appropriate)</li> <li>• Creation of rights in non-depreciating assets</li> <li>• Non-arm's length dealings with related parties.</li> </ul>			
<b>Other Tax Issues</b>			
Do the totals in the BAS's of the company correspond to the accounts of the company?			
Has the carry forward action sheet (attached to this checklist) been completed?			
Comments:			

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<b>Entity's Name</b>		
Preparer	Initial	Date
Reviewer	Initial	Date
Partner	Initial	Date

**Year ended 30 June 2009**

<b>Carry Forward Action Sheet</b>				
<b>Date</b>	<b>Item Carried Forward</b>	<b>\$</b>	<b>Working Paper Ref</b>	<b>Checked by</b>
	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 (e.g. prepayments)			
	Franking amount balance			

<b>Points for Partner Review</b>		
<b>Date</b>	<b>Review Point</b>	<b>Checked by</b>