



Loss carry back tax offset

- <https://www.ato.gov.au/Business/Loss-carry-back-tax-offset/>
- Last modified: 25 Jun 2021
- QC 64421

Loss carry back provides a refundable tax offset that eligible corporate entities can claim:

- after the end of their 2020–21 and 2021–22 income years
- in their 2020–21 and 2021–22 company tax returns.

Eligible entities get the offset by choosing to carry back losses to earlier years in which there were income tax liabilities. The offset effectively represents the tax the eligible entity would save if it was able to deduct the loss in the earlier year using the loss year tax rate. As it is a refundable tax offset, it may result in a cash refund, a reduced tax liability or a reduction of a debt owing to the ATO.

The eligible entity does not need to amend the earlier income years to claim the offset.

If an entity does not choose to carry back a loss, the loss may be carried forward to use in a later income year.

Loss carry back is intended to interact with temporary full expensing, encouraging new investment which may result in tax losses. Where the choice to carry back tax losses results in a tax refund, this will increase business cash flow.

An exposure draft Bill was released by Treasury for consultation that proposes to allow a loss carry back choice to be amended. See [Miscellaneous amendments to Treasury portfolio laws 2021](#)^{ca} for more information. We will continue to provide updates on this proposed amendment.

Find out about:

- [Eligibility for the tax offset](#)
- [How to claim the tax offset](#)
- [Working out the tax offset](#)
- [Paying your liabilities and claiming the tax offset](#)

Eligibility for the tax offset

- <https://www.ato.gov.au/Business/Loss-carry-back-tax-offset/Eligibility-for-the-tax-offset/>
- Last modified: 01 Sep 2021
- QC 66107


You must meet the eligibility requirements to choose to carry back the loss and claim the tax offset.

You can claim the tax offset if you:

- are an [eligible entity](#)
- made [tax losses](#) in the 2019–20, 2020–21 or 2021–22 income years
- had an income [tax liability](#) for the 2018–19, 2019–20 or 2020–21 income years
- have met your tax return [lodgment obligations](#).

We have made a flowchart to help you work out if you are eligible for the loss carry back tax offset.

Next steps:

- Download the PDF version of the [Loss carry back tax offset flow chart \(PDF, 300KB\)](#) 
- View the text version of the Loss carry back tax offset flow chart - [Claiming the loss carry back tax offset](#)

Watch:

Media: Your guide to eligibility for the loss carry back measure

<http://tv.ato.gov.au/ato-tv/media?v=bi9or7od8z66he>[□] (Duration: 04m:59s)

You can find more information on some of the topics mentioned in the video.

Find out about:

- [Aggregation](#)
- [Company tax return](#)
- [Company tax return instructions 2021](#)

Eligible entities

You are an eligible corporate entity if you are both a:

- company, corporate limited partnership or a public trading trust throughout
 - the income year that you are claiming the tax offset
 - the income year you choose to carry the loss back to (ignoring any part of the year before you existed)
 - any income years in between

- small business entity in the loss year or would have been a small business entity if the aggregated turnover threshold was \$5 billion.

The rules for calculating [aggregated turnover](#) are the same as those used for the small business entity concessions. Your aggregated turnover may include the annual turnover of other business entities, in addition to your own annual turnover.

See also:

- [Small business entity concessions – eligibility](#)

Tax losses and tax liabilities

You can only carry back certain tax losses to certain income years for which you have an income tax liability.

Tax losses

You can only carry back tax losses made in the 2019–20, 2020–21 or 2021–22 income years.

You can only use a tax loss once.

You cannot carry back:

- capital losses
- certain tax losses arising from the conversion of excess franking offsets
- transferred losses relating to either
 - foreign banking groups ([Division 170](#) of the *Income Tax Assessment Act 1997* (ITAA 1997))
 - head companies of consolidated groups ([Subdivision 707-A](#) of the ITAA 1997).

See also:

- [What is a tax loss?](#)
- [Utilising franking tax offsets and effect on losses – corporate tax entities](#)

Tax liabilities

You can carry back losses to the 2018–19, 2019–20 or 2020–21 income year if you were liable to pay income tax for that year.

See also:

- [Paying your liabilities and claiming the tax offset](#)

Check your eligibility

The following table shows which income year your tax loss must be made in and which income year you can carry that loss back to.

Check your eligibility

Tax liability in the income year	Tax loss made in 2018–19 or prior income years	Tax loss made in 2019–20 income year	Tax loss made in 2020–21 income year	Tax loss made in 2021–22 income year
2018–19	n/a	Can carry the 2019–20 loss back to the 2018–19 income year	Can carry the 2020–21 loss back to the 2018–19 income year	Can carry the 2021–22 loss back to the 2018–19 income year
2019–20	Not eligible	n/a	Can carry the 2020–21 loss back to the 2019–20 income year	Can carry the 2021–22 loss back to the 2019–20 income year
2020–21	Not eligible	Not eligible	n/a	Can carry the 2021–22 loss back to the 2020–21 income year

Lodgment obligations

To claim the tax offset for an income year, you must both:

- lodge your tax return for that income year
- have lodged for the previous five income years.

If you have not lodged for any of those income years, you may still be able to claim the tax offset if for those years, either:

- we assessed your income tax liability
- you were not required to lodge a tax return.

Next steps:

- [How to claim the tax offset](#)
- [Working out the tax offset](#)

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How to claim the tax offset

- <https://www.ato.gov.au/Business/Loss-carry-back-tax-offset/How-to-claim-the-tax-offset/>
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- QC 66108

You cannot claim the tax offset in your *Company tax return 2020* for a tax loss made in the 2019–20 income year. You can claim the tax offset in your *Company tax return 2021* or *Company tax return 2022*.

Claiming the tax offset is optional. To the extent you choose not to carry back the losses, you may be able to carry them forward to a future income year.

If you want to claim the tax offset for an income year, you will need to make the loss carry back choice by the time you lodge your company tax return for that year. When making the choice, you will also need to specify the amount of tax loss you choose to carry back.

On this page:

- [Information to claim the tax offset](#)
- [Reviewing franking account balance](#)
- [Correcting errors in franking account balance](#)
- [Common errors](#)

Watch:

Media: Your guide to claiming the loss carry back tax offset
<http://tv.ato.gov.au/ato-tv/media?v=bi9or7odeixztk>^{CS} (Duration: 07m:16s)

You can find more information on some of the topics mentioned in the video.

Find out about:

- [Company tax return](#)
- [Company tax return instructions 2021](#)

Information to claim the tax offset

You will need to complete additional labels in the *Company tax return 2021* to make the choice to carry back losses. These labels provide us with information on your eligibility to claim the tax offset and the calculation of the amount. By completing these labels, we can process your claim in a timely manner.

To complete the additional labels, you will need to provide:

- your opening and closing franking account balance – to calculate the amount of the tax offset

- your aggregated turnover for each loss year – to ensure you meet the eligibility requirement and help inform future services and initiatives for business
- the amounts of your tax losses that you are carrying back – to inform us of your choice and to calculate the amount of the tax offset
- your tax liability for the income years you are carrying the loss back to – to calculate the amount of the tax offset
- the amounts of unutilised net exempt income for the income years you are carrying the losses back to – to calculate the amount of the tax offset.

You can start preparing for your claim by reviewing your franking account balance early and considering your aggregated turnover. This will give you the information you need to complete the additional labels.

See also:

- [How to claim a tax loss – companies](#)
- [Working out the tax offset](#)
- [Paying your liabilities and claiming the tax offset](#)

Reviewing franking account balance

Watch:

Media: Review your franking account before making a loss carry back claim <http://tv.ato.gov.au/ato-tv/media?v=bi9or7odeuqjppq>^{E3} (Duration: 06m:29s)

You can find more information on some of the topics mentioned in the video.

Find out about:

- [Franking account](#)
- [Aggregation](#)
- [Company tax return instructions 2021](#)
- [Online services for business](#)

When reviewing your franking account balance, check your records and information to ensure you have:

- identified all transactions that result in a credit or debit in your franking account (see the table below for examples of records or information that you can use to check your transactions) – for example
 - franking credits arise on paying income tax and pay as you go (PAYG) instalments, incurring a liability for franking deficit tax, and receiving franked distributions
 - franking debits arise on receiving refunds of tax including refunds of PAYG instalments, and paying franked distributions
- recorded all transactions correctly in your franking account, including
 - whether it is a debit or a credit
 - when the debit or credit arises
- calculated the balance of the franking account correctly in determining whether

the franking account is in a surplus (credit) or deficit (debit) position at the end of the income year.

When considering transactions that result in a credit or debit in your franking account, please note that:

- credits will arise in your franking account no earlier than when you pay income tax or PAYG instalments and therefore, if you pay an amount late, the credit to your franking account will also be delayed
- paying your Quarter 4 PAYG instalment on or before the last day of the income year will not result in a credit to your franking account on that day – the credit will occur in the subsequent income year
- a debit will arise in your franking account if you get a tax refund because you claimed the tax offset – this will happen on the day you receive the refund.

Remember to keep your working papers for your records, particularly if you have identified and corrected errors when reviewing your franking account.

The following table provides examples of records or information that you can use to check your transactions which result in credits or debits in your franking account.

Examples of records or information

Transactions	Examples of records or information
Paying income tax or receiving income tax refund	Income tax account transaction history via Online services for agents or Online services for business
Paying PAYG instalments or receiving PAYG instalment refunds	Integrated client account transaction history via Online services for agents or Online services for business
Receiving franked distributions	Company minute book and distribution statements
Paying franked distributions	Company minute book and distribution statements
Receiving research and development (R&D) tax offset	Records of your R&D tax offset claims

See also:

- [Franking account](#)
- [Section 205-15](#) of the *Income Tax Assessment Act 1997* for a full list of when a credit arises in the franking account
- [Section 205-30](#) of the *Income Tax Assessment Act 1997* for a full list of when

- a debit arises in the franking account
- [R&D refundable tax offsets and franking debits](#)

Correcting errors in franking account balance

If you have identified an error in your franking account balance, you need to both:

- correct that error in your franking account before you lodge your company tax return for the income year that you are making a claim
- if the error occurred prior to the commencement of the income year that you are making a claim, provide the corrected opening balance in your company tax return.

Common errors

If you do not complete all relevant labels or you make an error when claiming your tax offset, this may:

- delay the processing of your claim
- result in an incorrect claim
- result in your choice being considered as not having been made.

Avoid common errors, including:

- entering the wrong amount at one or more labels – for example, the amount of tax loss incurred in the 2020–21 income year carried back to the 2018–19 income year is entered at the label Tax loss for 2020–21 income year carried back to 2019–20
- disclosing an incorrect opening or closing franking account balance because of errors made when preparing the [franking account](#), such as
 - missing entries
 - failing to reduce franking credits for any deferred debits (which could result from an amount of R&D tax offset refunded)
 - treating franked dividends received or paid incorrectly (for example, debiting instead of crediting)
 - including Quarter 4 PAYG instalments for an income year prior to year end
- calculating the tax losses incorrectly — see [Business losses](#) on what deductions can be included when calculating tax losses
- calculating the tax offset incorrectly, such as
 - not using the tax rate for the income year in which you made the loss in [step 1d](#) of the calculation – for example, a base rate entity carrying back a tax loss made in the 2020–21 income year should use a tax rate of 26%
 - not using the tax payable amount at T5 in the company tax return for the income year you are carrying the loss back to as the amount of your income tax liability in [step 2](#) of the calculation.

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- [Working out the tax offset](#)

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Working out the tax offset

- <https://www.ato.gov.au/Business/Loss-carry-back-tax-offset/Working-out-the-tax-offset/>
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Loss carry back provides a refundable tax offset. Refundable tax offsets can reduce the amount of tax you are liable to pay to zero which may result in a refundable amount.

The amount of tax offset may be affected by your net exempt income, income tax liabilities and the surplus in your franking account.

On this page:

- [Exempt income](#)
- [Tax liability in the year carried back to](#)
- [Franking account](#)
- [Losses can only be used once](#)
- [How to calculate the amount of tax offset](#)

Watch:

Media: Your guide to calculating the loss carry back tax offset
<http://tv.ato.gov.au/ato-tv/media?v=bi9or7odetoe7q>^{E3} (Duration: 07m:01s)

You can find more information on some of the topics mentioned in the video.

Find out about:

- [Company tax rates](#)
- [Franking account](#)
- [Aggregation](#)

Exempt income

In working out the amount of your tax offset, you must reduce the amount of loss you are carrying back by any (unutilised) net exempt income you had for the income year you are carrying back the loss to.

Once the exempt income has been used to reduce a loss you are carrying back,

you do not use it to reduce another loss carried back to that same income year.

Example: exempt income

In the 2018–19 income year, MNO Pty Ltd had net exempt income of \$20,000.

MNO Pty Ltd has a tax loss of \$100,000 in the 2019–20 income year and \$50,000 in the 2020–21 income year. In the 2020–21 income year, it chooses to carry back all these amounts to the 2018–19 income year.

The \$100,000 it carries back from the 2019–20 income year is reduced by the \$20,000 of net exempt income in the 2018–19 income year to be \$80,000 when calculating the tax offset.

It does not need to reduce the \$50,000 it carries back from the 2020–21 income year because its exempt income in the 2018–19 income year has been fully used to reduce the loss carried back from the 2019–20 income year.

See also:

- [Amounts not included as income](#)

Tax liability in the year carried back to

The amount of your tax offset cannot exceed your income tax liability for the income year you are carrying the loss back to.

Once the amount of your income tax liability for an income year has been fully used to claim tax offsets, you cannot claim any further offset amounts by carrying back losses to that year.

Example: tax liability used entirely

In the 2018–19 income year, ABC Co had an income tax liability of \$100,000 and no net exempt income.

ABC Co makes a tax loss in the 2019–20 income year and carries that loss back to the 2018–19 income year. It works out the amount of its tax offset for the 2019–20 tax loss would be \$100,000. ABC Co has used all of its \$100,000 income tax liability in the 2018–19 income year.

If ABC Co also made a tax loss in the 2020–21 income year, it cannot carry back that loss to the 2018–19 income year because the tax liability in that year has been fully used.

Franking account

The amount of your tax offset is also limited by the surplus in your franking account on the last day of the income year in which you are claiming the tax offset.

A franking credit is recorded in the account if you pay a PAYG instalment. Please note, paying your Quarter 4 PAYG instalment on or before the last day of the income year will not result in a credit to your franking account on that day. The credit will occur in the subsequent income year.

A franking debit is recorded in the account if you receive a refund of income tax. A debit will arise in your franking account if you get a tax refund because you claimed the tax offset. This will happen on the day you receive the refund.

These rules do not apply if you are a foreign resident for more than half of the income year you are carrying the loss back to. The exception is if you are a New Zealand company that has chosen to enter the Australian imputation system.

See also:

- [Franking account](#)
- [Trans-Tasman imputation special rules](#)

Losses can only be used once

To the extent that you have carried back a tax loss, you can only use it once. This means you cannot:

- carry the same tax loss back again
- carry it forward to use it in a future income year.

This includes any losses that have been used to reduce your exempt income.

Example: loss used entirely

XYZ Co has a tax loss of \$50,000 in the 2020–21 income year. It chooses to carry back all the \$50,000 tax loss to the 2018–19 income year and receives a tax offset in the 2020–21 income year.

XYZ Co cannot carry forward and use the tax loss of \$50,000 incurred in the 2020–21 income year as it has chosen to carry back that loss to the 2018–19 income year.

See also:

- [How to claim a tax loss – Companies](#)

How to calculate the amount of tax offset

To calculate the amount of your tax offset for an income year follow these steps:

1. For each tax loss you are carrying back to an earlier income year
 1. determine the amount of the tax loss you are carrying back
 2. work out the net exempt income, that has not previously been used, in that earlier income year
 3. subtract the amount at step 1b from the amount at step 1a
 4. multiply the result from step 1c by your tax rate for the income year in which you made the loss.
2. If more than one tax loss is being carried back to the same earlier income year, add the step 1d results together. The amount you can claim is capped at the amount of your income tax liability for that earlier income year.
3. If you are carrying back losses to more than one earlier income year, apply steps 1 and 2 for all years the losses are being carried back to and add the results together.
4. If the amount calculated under step 3 is greater than your franking account surplus at the end of the income year in which you are claiming the tax offset, your offset is limited to your franking account surplus. Otherwise, the amount of your tax offset is the amount calculated under step 3.

Note: Step 4 does not apply to foreign residents (other than New Zealand franking companies).

Example: calculating the amount of the tax offset

GHI Pty Ltd has a tax loss of \$100,000 in the 2019–20 income year and an income tax rate of 30%.

At the end of its 2020–21 income year, it has a franking account balance of \$25,000 and chooses to carry back all its tax loss from the 2019–20 income year to the 2018–19 income year.

In the 2018–19 income year, GHI Pty Ltd had an income tax liability of \$40,000 and no exempt income.

GHI Pty Ltd calculates the amount of its tax offset for the 2020–21 income year as follows:

- Step 1a: \$100,000 of loss carried back to the 2018–19 income year
- Step 1b: \$0
- Step 1c: \$100,000
- Step 1d: $\$100,000 \times 30\%$ tax rate for the 2019–20 income year = \$30,000
- Step 2: No adjustment is required as the tax liability in the 2018–19 income year (\$40,000) is greater than the \$30,000 from step 1d
- Step 3: As the loss is only being carried back to one earlier income year, the result of step 3 is \$30,000
- Step 4: As \$30,000 is greater than GHI Pty Ltd's franking account

balance at the end of the 2020–21 income year (\$25,000), the amount of its tax offset is limited to \$25,000.

GHI Pty Ltd calculates the amount of its refundable tax offset from loss carry back as \$25,000.

See also:

- [Company tax rates](#)
- [Paying your liabilities and claiming the tax offset](#)

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Paying your liabilities and claiming the tax offset

- <https://www.ato.gov.au/Business/Loss-carry-back-tax-offset/Paying-your-liabilities-and-claiming-the-tax-offset/>
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We will not defer the due date for payments you owe solely because you expect a potential future refund from claiming the loss carry back tax offset. If you have capacity to pay, we expect payment on time and in full.

If you can't pay on time, we can work with you to find a solution tailored to your situation. You can either:

- phone us on 13 11 42 during our operating hours to discuss your situation – see [Contact us](#) for our operating hours
- contact your tax adviser to discuss options.

See also:

- [PS LA 2011/14](#) *General debt collection powers and principles*
- [Help with paying](#)
- [Support in difficult times](#)

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

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

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