9. INCOME TAXES (CONTINUED)

	Telstra Group As at 30 June	
	2014	2013
	$m	$m
Deferred tax assets not recognised (d)		
Income tax losses	**48**	98
Capital tax losses	**349**	202
Deductible temporary differences	**306**	307
	703	607

(a) Non assessable and non deductible items include a non assessable gain on disposal of the CSL Group ($169 million, 2013: nil), a non deductible goodwill impairment loss on disposal of the Sensis Group ($45 million, 2013: nil), a non deductible write off of Octave foreign currency translation reserve ($30 million, 2013: nil) and various other items ($38 million net expense, 2013: $2 million net benefit).

(b) Our net deferred tax liability on our defined benefit asset for the Telstra Group is $15 million (2013: $11 million deferred tax asset).

(c) When the underlying transactions to which our deferred tax relates are recognised directly in other comprehensive income or equity, the temporary differences associated with these adjustments are also recognised directly in other comprehensive income or equity.

(d) Our deferred tax assets not recognised in the statement of financial position may be used in future years if the following criteria are met:

- our controlled entities have sufficient future taxable profit to enable the income tax losses and temporary differences to be offset against that taxable profit
- we have sufficient future capital gains to be offset against the above capital losses
- we continue to satisfy the conditions required by tax legislation to be able to use the tax losses
- there are no future changes in tax legislation that will adversely affect us in using the benefit of the tax losses.

As at 30 June 2014, our deferred tax assets not recognised in the statement of financial position include an estimate of the capital loss on disposal of the Sensis Group.

Tax consolidation

The Telstra Entity and its Australian resident wholly owned entities previously elected to form a tax consolidated group. As a consequence of the election to enter tax consolidation, the tax consolidated group is treated as a single entity for income tax purposes.

The Telstra Entity, as the head entity in the tax consolidated group, recognises, in addition to its own transactions, the current tax liabilities and the deferred tax assets arising from unused tax losses and tax credits for all entities in the group. However, the Telstra Entity and its Australian resident wholly owned entities account for their own current tax expense and deferred tax amounts.

Upon tax consolidation, the entities within the tax consolidated group entered into a tax sharing agreement. The terms of this agreement specified the methods of allocating any tax liability in the event of default by the Telstra Entity on its group payment obligations and the treatment where a subsidiary member exits the group. The tax liability of the group otherwise remains with the Telstra Entity for tax purposes.

For entities within the tax consolidated group, a tax funding arrangement is also in place under which:

- the Telstra Entity compensates its Australian resident wholly owned controlled entities for any current tax receivable assumed
- the Telstra Entity compensates its Australian resident wholly owned controlled entities for any deferred tax assets relating to unused tax losses and tax credits
- Australian resident wholly owned entities compensate the Telstra Entity for any current tax payable assumed.

The funding amounts are based on the amounts recorded in the financial statements of the wholly owned entities.

Amounts receivable by the Telstra Entity of $35 million (2013: $34 million) and amounts payable by the Telstra Entity of $74 million (2013: $247 million) under the tax funding arrangements are due in the next financial year upon final settlement of the current tax payable for the tax consolidated group.