

# Expanding Access to SBE Tax Concessions

Fact Sheet, July 2024

From 1 July 2018, businesses with an aggregated annual turnover of less than \$50 million will gain access to a range of small business tax concessions that were previously restricted to those generating \$2 million or less. As a result, more businesses will be able to reap the benefits of the following:

## Corporate Tax Rate Reduction

The government has reduced the tax rate of corporate entities to 25% for base rate entities with an aggregated turnover of less than \$50 million for the 2022 Financial Year. The maximum franking credit a small business can allocate may also be reduced to the lower tax rate for any dividends declared in future. This tax rate applies where no more than 20% of the income of the company is passive.

## Small Business Tax Offset

The ATO recognises that not all small businesses trade as companies. From 1 July 2016, unincorporated businesses with an annual turnover of less than \$5 million will be eligible for a tax discount up to an annual value of \$1,000 per individual.

## Temporary Full Expensing

Temporary full expensing provisions were implemented as part of the Federal Government response to COVID19 and are in place from 6 October 2020 to 30 June 2023, where the business's aggregated income is less than \$500 million. Before 6 October 2020, simplified depreciation rules existed to allow for greater immediate tax deductibility.

## Simplified Depreciation Rules

Immediate tax deductibility for assets purchases costing less than the following amounts exist before temporary full expensing was introduced.

Period	Amount
From 12 March 2020 to 30 June 2021	\$150,000
From 7.30pm on 2 April 2019 to 30 June 2020	\$30,000
From 29 January 2019 until before 7.30pm on 2 April 2019	\$25,000
From 12 May 2015 until before 29 January 2019	\$20,000

## Simplified Stock Trading Rules

This gives business owners the option of leaving their closing stock values the same as the prior year if the dollar value has not changed by more than \$5,000.

## PAYG Instalments

A simplified method of paying PAYG Instalments will be available, as calculated by the ATO. This will remove the risk of under or over estimating PAYG instalments and the resulting penalties that may be applied.

## Two- Year Amendment Period

Generally a two-year time limit will apply from the day the ATO issues a notice of assessment for reviewing that assessment.

## Goods & Services Tax (GST)

Business owners will have the option to:

- + account for GST on a cash basis rather than restricted to an accruals basis.
- + pay GST Instalments as calculated by the ATO

## Fringe Benefits Tax (FBT)

From 1 April 2017, SBE FBT concessions have been available, such as:

- + Access to the FBT car parking exemption under the <\$10 Million aggregated turnover test, which will replace the current income test rules
- + The ability to provide more than 1 identical work related item within a single FBT year to employees. For example, 2 work related mobile phones or a work laptop and equivalent tablet as FBT Exempt if all other requirements are satisfied

## Business Start-Up Costs

An immediate deduction for specific eligible business start up costs has been in place for the past few years.

## Prepayment Deduction

An up-front deduction of eligible prepaid expenditure may be allowed, instead of apportioning over several separate income years.

## Accelerated Depreciation for Primary Producers

Since 12 May 2015 Primary Producers can immediately deduct cost of fencing & water facilities, and deduct the cost of fodder storage assets over 3 years. Since 19 August 2018, Primary producers can now immediately deduct the cost of fodder storage assets.

## SBE Asset Restructure Rollover Relief

Eligible SBE's and their connected entities may defer the income tax consequences for business active assets rolled over to a new entity under a "genuine restructure". These provisions are complex and numerous restrictions to its application may be encountered.

## Other Capital Gains Tax Implications

The threshold changes will not extend to small business capital gains tax concessions. The two SBE entity tests will remain the same as in prior years:

- + turnover threshold of \$2 million aggregated turnover or less, OR
- + \$6 million maximum net asset value test.

Author: Accru Hobart

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