



# Budget 2016



## A tax plan for small business

Small businesses are the engine room of our economy. They are the home of Australian enterprise and opportunity and they are where many big ideas begin. The Government will reduce the tax burden, and increase access to concessions, for small businesses from 2016.

### Lower taxes

The Government will back small businesses by reducing their tax rate to 27.5 per cent, starting with businesses with a turnover of less than \$10 million on 1 July this year.

The Government will decrease the tax rate for all companies to 25 per cent by 2026-27.

As many small businesses are not companies, the Government will also extend the unincorporated tax discount to unincorporated businesses with annual turnover of less than \$5 million and increase the discount to 8 per cent on 1 July 2016, up to a maximum value of \$1,000. After the initial increase, the discount will be increased in phases to a final rate of 16 per cent in 2026-27.

Over 3 million businesses will gain access to either the lower tax rate or higher discount in 2016-17.

### Expanding access to small business tax concessions

The Government will extend access to a number of small business tax concessions by increasing the threshold for these concessions to \$10 million, up from the current \$2 million threshold. This will provide over 90,000 businesses with access to a range of small business tax concessions.

From 1 July 2016, all businesses with annual turnover of less than \$10 million will have access to:

- simplified depreciation rules, including immediate tax deductibility for asset purchases costing less than \$20,000 until 30 June 2017 and then less than \$1,000;
- simplified trading stock rules, giving businesses the option to avoid an end of year stocktake if the value of the stock has changed by less than \$5,000;
- a simplified method of paying PAYG instalments calculated by the ATO, which removes the risk of under or over estimating PAYG instalments and the resulting penalties that may be applied;

- the option to account for GST on a cash basis and pay GST instalments as calculated by the ATO; and
- other tax concessions available to small business currently, such as the Fringe Benefits Tax concessions (from 1 April 2017, the beginning of the next fringe benefits tax year) and immediate deductibility of professional expenses.

These threshold changes will not affect eligibility for the small business capital gains tax concessions, which will only remain available for businesses with annual turnover of less than \$2 million or that satisfy the maximum net asset value test.

Lower taxes and expanded access to tax concessions will mean increased opportunity to grow a small business, employ more Australians and increase wages.

## Budget impact

Increasing the turnover thresholds for the small business tax concessions is expected to cost \$2.2 billion in revenue over the next four years.

Reducing the company tax rate to 27.5 per cent for

incorporated businesses is expected to cost \$2.7 billion in revenue over the next four years.

Increasing the rate of the unincorporated tax discount is expected to cost \$450 million in revenue over the next four years.

## Reducing Tax on Enterprises

Corporate tax and unincorporated tax discount schedule: rate and turnover

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
<b>Company tax</b>	28.5% <\$2m	27.5% <\$10m	27.5% <\$25m	27.5% <\$50m	27.5% <\$100m	27.5% <\$250m	27.5% <\$500m	27.5% <\$1bn	27.5% all	27% all	26% all	25% all
<b>Unincorporated tax discount (\$1,000 cap)</b>	5% <\$2m	8% <\$5m	8% <\$5m	8% <\$5m	8% <\$5m	8% <\$5m	8% <\$5m	8% <\$5m	8% <\$5m	10% <\$5m	13% <\$5m	16% <\$5m