

SMALL BUSINESS & BUSINESS TAX

SMALL BUSINESS TAX CONCESSIONS EXTENDED TO BUSINESSES IN \$10M-\$50M RANGE

The Government announced that it would expand access to a range of small business tax concessions. The small business entity turnover threshold increases from \$10 million to \$50 million. This means that 10 tax concessions currently available to small businesses would be made available to medium sized businesses.

The extension of these concession to medium businesses will be delivered in 3 phases:

- **From 1 July 2020:**
 - Eligible businesses will be able to immediately deduct certain start-up expenses and certain prepaid expenditure;
- **From 1 April 2021:**
 - Eligible businesses will be exempt from the 47% fringe benefits tax on car parking and multiple work-related portable electronic devices, such as phones or laptops, provided to employees.
- **From 1 July 2021:**
 - Eligible businesses will be able to access the simplified trading stock rules, remit PAYG instalments based on GDP adjusted notional tax, and settle excise duty and excise-equivalent customs duty monthly on eligible goods;
 - The time limit for the ATO to amend income tax assessments will be reduced from 4 to 2 years for eligible business for income years starting from 1 July 2021; and
 - The Commissioner's power to create a simplified accounting method determination for GST purposes will be expanded to apply to businesses below the \$50m aggregated annual turnover threshold.

IMMEDIATE DEDUCTION OF CAPITAL ASSETS UNTIL 30 JUNE 2022

The government has announced a change to the capital allowance provisions, providing businesses with an aggregated annual turnover of less than \$5 billion with access to uncapped immediate deductions of eligible depreciable assets where the following requirements are satisfied:

- The asset was acquired from 7:30pm AEDT 6 October 2020
- The asset was ready for use by 30 June 2022
- The asset is a new depreciable asset or is the cost of an improvement to as existing asset
- If the taxpayer is a small or medium sized business (aggregated annual turnover less than \$50 million), the asset can be second-hand

Under current legislation, businesses with aggregated annual turnover between \$50 million and \$500 million can deduct second-hand assets costing less than \$150,000 ready for use between 12 March 2020 and 31 December 2020. It has now been announced that this period will be extended by 6 months, until 30 June 2021.

Previously, small businesses (aggregated turnover of less than \$10 million) could deduct the balance of their small business pool at the end of the financial year if the balance (before applying depreciation deductions) was less than the instant asset write-off threshold. Now that it has been announced that this threshold is uncapped to 30 June 2022, all pool balances will be eligible for an immediate write off in the 2021 financial year.

Additionally, the provisions relating to the prevention of small businesses re-entering the simplified depreciation regime for 5 years after opting out continue to be suspended.

It should be noted that all other depreciation rules currently legislated will not change. For example, the car depreciation limit still remains. Therefore, a deduction for the business portion of a car will be capped.

TEMPORARY LOSS CARRY BACK

It has been announced that companies with a turnover of less than \$5 billion will now be allowed to carry back losses from the 2020, 2021 or 2022 financial years in order to offset previously taxed profits made in or after the 2019 financial year.

This will result in a refundable tax offset in the year in which the loss is made. This tax refund is limited by the following requirements:

- The amount of losses carried back does not exceed the earlier taxed profits
- The carry back does not cause a franking account deficit

Corporate tax entities with an aggregated turnover of less than \$5 billion will be able to access this tax refund on election when they lodge their 2021 and 2022 tax returns. If no election is made, losses can be carried forward as normal.

R&D TAX INCENTIVE CHANGES ANNOUNCED AND START DATE DEFERRED

The Government has announced that the Research and Development (R&D) tax incentive will be amended to promote business innovation across Australia. The changes to the tax incentive program will start from 1 July 2021.

- Small R&D entities (with an aggregated annual turnover of less than \$20 million) will be able to access the refundable R&D tax offset at a premium of 18.5 percentage points above their corporate tax rate.
- Large R&D entities will have intensity tiers reduced from three to two, with offsets of 8.5 and 16.5 percentage points above their tax rate.
- not proceeding with the cap of \$4 million per annum for cash refunds.

Although, the Bill was first announced in May 2018, it was not until the 10 February 2020 that was introduced to the Senate, where it is still waiting to be passed.

All other aspects of the measure as set out in the 2019-20 MYEFO will remain unchanged, including the increase to the R&D expenditure threshold from \$100 million to \$150 million.

CORPORATE RESIDENCY TEST TO BE CLARIFIED

The Government have announced technical amendments to clarify the corporate residency test.

This will amend the law to provide that a company that is incorporated offshore will be treated as an Australian tax resident if it has a 'significant economic connection to Australia'.

This test will be satisfied where the following conditions are met:

- The company's core commercial activities are undertaken in Australia
- The company's central management and control is in Australia.

The measure will have effect from the first income year after the date of the royal assent. However, taxpayers will have the option of applying the new law from 15 March 2017.