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EASING THE TAX BURDEN AND MAKING LIFE EASIER FOR HARD WORKING SMALL BUSINESSES

Australia's hard working small businesses are the engine room of our economy.

As we transition from the mining boom, it is vital that opportunities are created for our small businesses to innovate, grow and employ more Australians.

Small business tax relief for companies and unincorporated small businesses

The Turnbull Government will cut the small business company tax rate to 27.5 per cent and make it available to all small companies with an annual turnover of less than \$10 million from 1 July 2016. Around 870,000 companies will gain access to the lower rate. Over the next decade, the lower tax rate will be extended to all companies and then progressively reduce to 25 per cent by 1 July 2026.

The Government recognises that not all small businesses are companies. As a result, the unincorporated tax discount will be increased from 5 per cent to 8 per cent from 1 July 2016. Around 2.3 million unincorporated businesses will be eligible for the unincorporated tax discount. After the initial increase, the discount will be progressively increased to a final discount rate of 16 per cent from 1 July 2026.

This will provide unincorporated small businesses with improved cash flow and enable profitable unincorporated businesses to reinvest in their business to help them grow. The unincorporated tax discount will be limited to small businesses with turnover of less than \$5 million and remains capped at \$1,000 per individual per year.

Extending tax concessions to more small businesses

The Government will also ease the burden on small businesses by increasing access to a range of small business tax concessions, for businesses with an annual turnover of less than \$10 million. This change will make the small business tax concessions available to over 90,000 additional businesses from 1 July 2016, and will include access to:

- simplified depreciation rules, including the ability to claim an immediate deduction for each and every asset purchased costing less than \$20,000 until 30 June 2017;
- simplified trading stock rules, giving businesses the option to avoid an end of year stocktake if the value of their stock has changed by less than \$5,000;
- the option to account for GST on a cash basis and pay GST instalments as calculated by the Australian Taxation Office (ATO);

- a simplified method of paying PAYG instalments calculated by the ATO; and
- other tax concessions available to small business, including fringe benefits tax (FBT) exemptions (FBT changes from 1 April 2017) and immediate deductibility of professional expenses.

Extending the ability to claim immediate deductibility for asset purchases less than \$20,000 will help more small businesses to reinvest in their business and grow by helping them to replace or upgrade their machinery and equipment. Extending access to a range of other concessions will reduce the regulatory barriers small businesses face, enabling them to put their business and employees first.

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

Simplifying GST administration for small businesses

Small businesses will also benefit from changes to simplify BAS reporting requirements. From 1 July 2017, all small businesses with less than \$10 million turnover will be able to easily classify transactions, and prepare and lodge their BAS. This simpler approach means that small businesses can work with their tax professionals on growing their business not form filling. A trial of the new simpler reporting arrangements will commence on 1 July 2016.

Exploring eInvoicing opportunities

As part of the FinTech agenda, the Government will also undertake a detailed implementation study into the costs and benefits of adopting electronic invoicing (eInvoicing) so that small businesses spend less time re-entering invoice data for government and more time developing and growing their business. According to the Digital Business Council, eInvoicing could improve efficiency over the traditional paper invoicing process by 60-80 per cent with widespread adoption leading to significant regulatory savings. The findings of the implementation study will be considered in early 2017.

The Turnbull Government is creating the right conditions for Australian small businesses to innovate, prosper, and create new jobs. As a vital sector of our economy and the home of Australian enterprise and innovation, Australia's hardworking small businesses need a tax system that actively supports them. These important reforms build on the Government's biggest small business initiative in our nation's history, the *Growing Jobs and Small Business* package, which was a key feature of last year's Budget.

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