Australian Government

STRONGER·FAIRER·SIMPLER
A tax plan for our future

FACT SHEET

MAKING TAX SIMPLER FOR SMALL BUSINESS

Small business faces unique challenges

All Australian businesses bear costs in meeting their tax obligations. For our estimated 2.7 million small businesses, this burden is proportionately greater than for larger businesses. Smaller businesses may also experience greater cash flow difficulties, which may be an impediment to their growth and expansion.

Helping small business helps us all

Small business is one of Australia's biggest employers. Reducing complexity, cutting red tape and providing tax relief will help small business grow and expand – benefitting all Australians. The Government is assisting small business through tax reform, including by responding to the *Australia's Future Tax System* (AFTS) review, in the 2011-12 Budget and with the carbon price package. These reforms are targeted at reducing compliance costs and improving cash flow for small business.

From the 2012-13 income year, small business can:

- immediately write-off of all assets valued at under $6,500 (up from $1,000 presently); and
- write-off all other assets (except for buildings) in a single depreciation pool at a rate of 30 per cent (15 per cent in the first year).
  - This is simpler than the current system, where small businesses write-off assets valued at less than $1000 and allocate higher valued assets to two different depreciation pools with depreciation rates of either 30 per cent or 5 per cent.

Also from the 2012-13 income year, small business will be able to immediately write-off up to $5,000 for motor vehicles, with the remainder to be written off at a rate of 15 per cent in the first year and 30 per cent for following years. Small business companies will also benefit from a reduction in the company tax rate from 30 per cent to 29 per cent.

For 2011-12, small businesses paying income tax instalments using the GDP adjustment method are already benefiting from the Government's decision to reduce the uplift from the statutory rate of 8 per cent to 4 per cent.

As recommended by the AFTS review, the Entrepreneurs' Tax Offset (ETO) will be abolished from 1 July 2012. AFTS concluded that the ETO provided a disincentive for businesses to grow because the benefit available started to decline at $50,000 of annual turnover and cut out completely at $75,000. The ETO is not an effective support for small business because it is poorly targeted and has high compliance costs.