

End of Financial Year Planning 2018 Business Considerations



With 30 June 2018 fast approaching, now is a good time to ensure your year-end strategies are in place. In doing so, it is worthwhile considering the following list of 'Business Considerations'.

It should be noted that further tax changes are expected to be announced in the May 2018 Federal Budget.

Small Business Considerations

Base rate entities

From 1 July 2017, the tax rate for companies that meet the definition of a "base rate entity" is 27.5%. All other companies are subject to a tax rate of 30%.

In order for a company to be a base rate entity for the 2018 income year it must:

- Have an aggregated annual turnover of less than \$25 million; and
- Have no more than 80% base rate entity passive income.

Importantly, base rate entity passive income includes:

- Dividends other than non-portfolio dividends
- Franking credits on such dividends
- Non share dividends
- Interest income, royalties and rent
- Gains on qualifying securities
- Net capital gains
- Income from trusts or partnerships, to the extent that it is referable to an amount that is otherwise base rate entity passive income.

Small business company tax rate

The lower corporate tax rate of 27.5% will be progressively extended to all companies by the 2023/24 income year. Further rate cuts will apply over the next three income years, such that the general company tax rate will be 25% from 2026/27 onwards.

Depreciable assets

Small business entities can currently claim an immediate tax deduction for depreciable asset acquisitions of \$20,000 or less. From 1 July 2018, the immediate deduction entitlement will be scaled back to acquisitions of depreciable assets costing \$1,000 or less.



Single Touch Payroll

For employers with 20 or more employees, Single Touch Payroll (STP) commences from 1 July 2018. STP means employers will report payments such as salaries and wages, PAYG withholding, and superannuation information to the ATO directly from their payroll solution at the same time as paying employees.

For those employers with 19 or less employees, STP will apply to these employers from 1 July 2019, subject to legislation being passed.

Large Business Considerations

New tax reporting obligations and tax integrity measures now apply to increase the tax transparency of large multinational corporate groups operating in Australia and to combat international profit shifting arrangements. These measures include the following.

Country by Country reporting requirements

Country by Country (CBC) reporting requirements will apply to certain multinational corporations in respect of income years commencing after 1 January 2016.

Going forward multinational corporations subject to the reporting requirements must annually report detailed information to the ATO concerning matters such as international related party dealings, revenues, profits and taxes paid by jurisdiction.

These reporting requirements apply to multinational corporate groups with an annual global income of AUD\$1 billion or more. Importantly these reporting obligations extend to Australian subsidiaries or branches of foreign parent entities where the groups global income exceeds AUD\$1 billion.

Diverted Profits Tax (DPT)

A DPT applies from 1 July 2017. Broadly, it will impose a 40% penalty tax on profits artificially diverted from Australia.

The DPT will only apply to “significant global entities”. These are entities with global income of AUD\$1 billion or more operating in Australia where the Australian turnover is more than AUD\$25 million.

Some of these tax changes for small businesses may also influence business structuring decisions. You should seek advice from your adviser concerning how your business might be affected by these changes and what opportunities these changes might present.

More information

Speak to your adviser for more information about these considerations, as well as other tax planning opportunities for the year ahead.

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