

2017-18 Federal Budget small business measures

Small business CGT breaks to be tightened

Access to the small business CGT concessions will be tightened from 1 July 2017 to deny eligibility for assets which are unrelated to the small business.

Small business CGT concessions assist owners of small businesses by providing relief from CGT on assets related to their business which helps them to re-invest and grow, as well as contribute to their retirement savings through the sale of the business.

However, some taxpayers have been able to access these concessions for assets which are unrelated to their small business by, for example, arranging their affairs so that their ownership interests in larger businesses do not count towards the tests for determining eligibility for the concessions.

The small business CGT concessions will continue to be available to small business taxpayers with aggregated turnover of less than \$2 million or business assets of less than \$6 million.

Instant asset write-off and other depreciation measures from 2015-16 Budget extended

To improve cash flow for small businesses and provide a boost to small business activity and investment, the Government is extending the \$20,000 instant asset write-off for small business by 12 months to 30 June 2018. Businesses with an aggregated annual turnover of less than \$10 million will be eligible for this concession.

Small businesses will be able to immediately deduct purchases of eligible depreciating assets costing less than \$20,000 provided they are first used, or installed ready for use, by 30 June 2018. Only a few assets are ineligible (such as horticultural plants and in-house software).

Depreciating assets valued at \$20,000 or more (which cannot be immediately deducted) can continue to be placed into the general small business pool (the pool) and depreciated at 15% in the first income year, and 30% for each income year thereafter. The pool can also be immediately deducted if the balance is less than \$20,000 over this period (including existing pools).

The current "lock out" laws from the simplified depreciation rules will also continue to be suspended until 30 June 2018. These rules prevent small businesses from re-entering the simplified depreciation regime for five years if they opt out.

From 1 July 2018, the immediate deductibility threshold, and the balance at which the pool can be immediately deducted, will revert back to \$1,000.

To do!

Discuss with us how these changes might affect your small business.

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