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[Insert Client Name]

[Insert Client Position]

[Insert Company Name]

[Insert Company Address]

[Suburb State Postcode]

Dear [Insert Client Name]

**Re: Small business entity: Tax concessions**

From a tax planning perspective, eligible small business entities can access numerous tax concessions which provide either tax relief and/or simplified tax compliance.

**Executive summary**

This letter sets out the key tax concessions available to an eligible small business entity for the year ended 30 June 2024.

The tax concessions available will be dependent on the business’s aggregated turnover for the year, being either:

* less than $10 million or
* between $10 million and less than $50 million.

However, to access the [small business CGT concessions](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-cgt-concessions) the taxpayer must have an aggregated turnover of less than $2 million where the $6 million [maximum net asset value test](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-cgt-concessions/small-business-cgt-concessions-eligibility-conditions/maximum-net-asset-value-test) is not met.

There is also a separate $5 million [aggregated turnover threshold](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/in-detail/small-business-income-tax-offset) for an individual carrying on a business via an unincorporated entity, which must be met for an individual to access (directly or indirectly) the small business tax offset.

The following small business tax concessions are discussed in this letter:

* Instant asset write-off
* Small business energy initiative
* Skills and training boost
* Concessional company tax rate of 25% for ‘base rate entities’
* Small business CGT concessions
* Small business tax offset

**Note:** the Bills containing the instant asset write-off and small business energy initiative concessions are still progressing through Parliament and the concession arrangements may be subject to change.

Each of these concessions are discussed below.

**General definition of small business entity**

The first issue to consider is whether an entity would be regarded as a ‘small business entity’ as defined under section 328-110 of the *Income Tax Assessment Act* *1997* (*ITAA 1997*) for the purposes of claiming concessions other than the small business CGT concessions and the small business offset.

An entity is a small business entity under section 328-110 if it:

* carries on a business, and
* satisfies the $10 million aggregated turnover test.

Where access to certain concessions has been extended for entities with an aggregated turnover of up to $50 million, the reference to $10 million in the relevant concession has been modified to $50 million.

*Carrying on a business*

The circumstances under which an entity will be regarded carrying on a business for the purposes of section 328-110 of the *ITAA 1997* is a question of fact.

The key indicia considered in determining whether the activities carried on by a person amounts to the carrying on of a business are:

* whether the person intends to carry on a business
* the nature of the activities, particularly whether they have a profit-making purpose.
* whether the activities are repeated and regular, and organised in a business-like manner, including the keeping of books, records, and the use of a system
* the size and scale of a company’s activities including the amount of capital employed in them, and
* whether the activity is better described as a hobby, or recreation.

The Commissioner has considered whether a company is carrying on a business in a general sense for the purposes of section 328-110 under Taxation Ruling [TR 2019/1](https://www.ato.gov.au/law/view/document?docid=TXR/TR20191/NAT/ATO/00001).

The Commissioner adopts the view in TR 2019/1 that a company may be regarded as carrying on a business for the purposes of section 328-110 of the *ITAA 1997* even if its activities are relatively limited and only consist of passively receiving investment income. In reaching this conclusion the Commissioner accepts that a company will normally be carrying on a business in a general sense if it is established and maintained to make a profit for their shareholders, and it invests its assets in gainful activities that have both a purpose and prospect of profit.

*Aggregated turnover*

An entity’s [aggregated turnover](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-cgt-concessions/small-business-cgt-concessions-eligibility-conditions/cgt-small-business-entity-eligibility#ato-Calculateyouraggregatedturnover) is the total of the annual turnover of an entity, its affiliates and entities connected with it.

For these purposes, an entity’s annual turnover is the total ordinary income that the entity derives in the ordinary course of carrying on a business and excludes Goods and Services Tax (GST).

It is important to recognise that in calculating an entity’s ‘aggregated’ turnover it is necessary to not only include the entity’s annual turnover but also the annual turnover of any entity which was an affiliate or a connected entity of the taxpayer for the year being tested. Certain intra-group transactions among such entities are excluded from the aggregated turnover calculation to ensure that there is no double counting of annual turnover.

An affiliate includes an individual or company that acts in accordance with the wishes and directions of the entity, or who acts in concert with the entity in relation to the business of the individual or the company.

By contrast an entity will be [connected](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-cgt-concessions/small-business-cgt-concessions-eligibility-conditions/entities-connected-with-you-and-control-relationships) with another entity if either entity controls the other entity, or both entities are commonly controlled by a third entity. A taxpayer will generally control another entity where the taxpayer and/or the taxpayer’s affiliates directly or indirectly beneficially own at least 40% of any right to be distributed income or capital by that entity or have the right to exercise at least 40% of the voting power in the company.

Where an entity is eligible to be regarded as a small business entity, it will be able to potentially utilise the tax concessions detailed below, provided it also satisfies any additional criteria that may separately apply to each concession.

**Outline of small business entity concessions**

The following concessions are potentially available to any entity which is a ‘small business entity’ (SBE), being an entity carrying on a business whose aggregated turnover is less than $10 million. Where these measures apply to entities with a turnover of $10 million or more, this has also been indicated below. As the extensions to the concessions differ in relation to their application dates, the relevant dates or income years have also been provided.

1. [*Instant Asset Write off*](https://www.ato.gov.au/about-ato/new-legislation/in-detail/businesses/small-business-support-20000-dollar-instant-asset-write-off)

**Note:** the [*Treasury Laws Amendment (Support for Small Business and Charities and Other Measures) Bill 2023*](https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r7081), which contains the following concessions, is still progressing through Parliament.

Small businesses with an aggregated annual turnover of less than $10 million will be able to immediately deduct the full cost of eligible assets costing less than $20,000 that are first used or installed ready for use between 1 July 2023 and 30 June 2024.

The $20,000 threshold will apply on a per asset basis, so small businesses can instantly write-off multiple assets.

Assets valued at $20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business depreciation pool and depreciated at 15% in the first income year and 30% each income year after that.

**Note:** the [*Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Bill 2024*](https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r7199), which is currently before the House of Representatives, proposes to extend the write-off until [30 June 2025](https://www.ato.gov.au/about-ato/new-legislation/in-detail/businesses/small-business-support-20000-dollar-instant-asset-write-off).

Additionally, the Senate has proposed an amendment to the *Treasury Laws Amendment (Support for Small Business and Charities and Other Measures) Bill 2023* to increase the threshold to $30,000, however this has so far been rejected by the Government.

1. [*Small business energy incentive*](https://www.ato.gov.au/about-ato/new-legislation/in-detail/businesses/small-business-energy-incentive)

Small and medium businesses with an aggregated annual turnover of less than $50 million will be able to claim an additional 20% deduction on spending that supports electrification and more efficient use of energy.

Broadly, a depreciating asset is eligible for the bonus deduction if:

* it uses electricity instead of fossil fuel
* it is more energy efficient than the asset it is replacing or a comparable asset available on the market and
* it is an energy storage, time-shifting or monitoring asset, or an asset that improves the energy efficiency of another asset.

Assets and expenditure that are excluded from the bonus deduction include:

* assets that use fossil fuel
* assets that have a sole or predominant purpose of generating electricity (i.e. solar panels)
* capital works
* motor vehicles
* assets and expenditure on an asset where expenditure on the asset is allocated to a software development pool and
* financing and borrowing costs.

Eligible assets or upgrades must be first used or installed ready for use between 1 July 2023 and 30 June 2024. Up to $100,000 of total expenditure is eligible for this initiative, with the maximum bonus tax deduction being $20,000 per business.

While the [Bill](https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r7081) containing this concession is still progressing through Parliament, if the Bill is passed, the concession will apply from 1 July 2023 to 30 June 2024.

1. [*Skills and Training Boost*](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/deductions/small-business-skills-and-training-boost)

Small businesses with an aggregated annual turnover less than $50 million can claim an additional 20% tax deduction for eligible expenditure incurred on external training delivered to their employees by certain registered training providers.

The expenditure must be:

* for the provision of training to employees of the business (either online or in-person in Australia)
* charged, directly or indirectly, by a registered external training provider that is not the business or an associate of the business
* already deductible to the business, and
* incurred between 29 March 2022 and 30 June 2024.
1. [*Prepaid Expenses*](https://www.ato.gov.au/forms-and-instructions/deductions-for-prepaid-expenses-2023/small-business-entities?anchor=smallbusinessentitys#ato-Summaryofrulesincludingthe12monthrule)

Small businesses with an aggregated turnover of less than $50 million can claim an immediate deduction for prepaid expenses for a service period of 12 months or less, which ends in the following income year.

For example, prepayments of subscriptions to professional associations, rent or insurance payments are immediately deductible. This is in addition to the [normal allowance](https://www.ato.gov.au/forms-and-instructions/deductions-for-prepaid-expenses-2023/general-information-about-prepaid-expenses) for prepayments consisting of expenses that are:

* less than $1,000 (GST exclusive)
* required to be made by a Commonwealth, State or Territory law or court order.
* payments made under a contract of service e.g. salary and wages.
1. [*Simplified trading stock rules*](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/in-detail/simplified-trading-stock-rules)

Small businesses with an aggregated turnover of less than $50 million may apply the simplified trading stock rules.

Broadly, under the simplified rules a small business does not need to conduct a formal stocktake and account for changes in the trading stock values where the estimated change in value is $5,000 or less. Otherwise, the small business must conduct a stocktake and account for changes in value at the end of the income year.

1. [*Immediate deductibility of start-up expenses*](https://www.ato.gov.au/forms-and-instructions/depreciating-assets-guide-2023/certain-start-up-expenses-immediately-deductible?anchor=Certainstartupexpensesimmediatelydeducti#Certainstartupexpensesimmediatelydeducti)

Small businesses with an aggregated turnover of less than $50 million can claim immediate deductions for certain start-up costs associated with a proposed business under section 40-880(2A) of the *ITAA 1997*.

Such expenses include the cost of obtaining legal or accounting advice as to how the proposed business may be structured or operated, and certain fees charged by an Australian government agency in relation to establishing the proposed structure.

1. *Pay As You Go (PAYG) instalment amounts*

Small businesses with an aggregated turnover of less than $50 million can calculate PAYG instalments based on the gross domestic product (GDP) adjusted notional tax method, which may provide compliance savings.

1. [*Goods and Service Tax (GST) cash accounting*](https://www.ato.gov.au/businesses-and-organisations/gst-excise-and-indirect-taxes/gst/accounting-for-gst-in-your-business/choosing-an-accounting-method#ato-AccountingforGSTonacashbasis)

Small businesses with an aggregated turnover of less than $10 million can elect to account for GST on a cash basis rather than an accrual basis under section 29-40 of the *A New Tax System (Goods and Services Tax) Act 1999* (*GST Act*).

1. [*GST and annual private apportionment*](https://www.ato.gov.au/businesses-and-organisations/gst-excise-and-indirect-taxes/gst/in-detail/managing-gst-in-your-business/reporting-paying-and-activity-statements/annual-private-apportionment-of-gst/eligibility)

Small businesses with an aggregated turnover of less than $10 million can make an annual apportionment election under section 131-5 of the *GST Act*.

When small businesses claim GST input tax credits for business assets, they do not need to estimate how much it intends to use the assets for private purposes. Instead, they can make a single adjustment after the end of the income year to account for private use.

1. [*GST instalments*](https://www.ato.gov.au/businesses-and-organisations/gst-excise-and-indirect-taxes/gst/in-detail/managing-gst-in-your-business/reporting-paying-and-activity-statements/gst-instalments)

Small businesses with an aggregated turnover of less than $10 million can choose to pay GST by instalments and lodge a GST return annually under section 162-5 of the *GST Act*. Depending on the nature of the business, the frequency of the instalment payments may be four quarterly instalments in an income year.

1. *GST simplified accounting methods*

Small businesses with an aggregated turnover of less than $50 million may apply certain simplified accounting methods allowed by the Commissioner under Division 123 of the *GST Act*.

1. *Fringe benefits tax (FBT)*

Small businesses with an aggregated turnover of less than $50 million can access a number of FBT concessions, which include:

* FBT exemption for [car parking](https://www.ato.gov.au/businesses-and-organisations/hiring-and-paying-your-workers/fringe-benefits-tax/types-of-fringe-benefits/fbt-on-cars-other-vehicles-parking-and-tolls/car-parking-and-fbt#Smallbusinessparkingexemption) where a small business provides their employees carparking, provided it is not in a commercial car park.
* FBT exemption for [devices](https://www.ato.gov.au/businesses-and-organisations/hiring-and-paying-your-workers/fringe-benefits-tax/exemptions-concessions-and-other-ways-to-reduce-fbt/work-related-items-exempt-from-fbt#ato-Portableelectronicdevices) where a small business provides their employees with multiple work-related portable electronic devices that have substantially identical functions, in the same FBT year. This applies to devices that are primarily used for work, such as laptops, tablets, calculators, GPS navigation receivers and mobile phones.
1. [*Small business restructure rollover relief*](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-restructure-roll-over)

Small businesses with an aggregated turnover of less than $10 million can access rollover relief under Subdivision 328-G of the *ITAA 1997*.

Broadly, rollover relief is available where an SBE transfers an active asset of the business (e.g. goodwill) to another SBE (or an affiliate, connected entity or partnership that is an SBE) on or after 1 July 2016 as part of a genuine business restructure where there has been no material change in the underlying economic ownership of assets. The effect of the rollover is to defer any gain or loss arising from the transfer of active assets that are CGT assets, depreciating assets, trading stock or revenue assets where all the requirements of Subdivision 328-G are satisfied.

This concession is advantageous for businesses that have evolved and should now be conducted in a different, and more appropriate, form of legal entity. However, care must be taken to ensure that the various eligibility conditions required to access the rollover are satisfied.

1. [*Amendment period*](https://www.ato.gov.au/businesses-and-organisations/preparing-lodging-and-paying/fix-a-mistake-or-amend-your-tax-return/request-an-amendment-to-a-business-or-super-tax-return)

Small businesses with an aggregated turnover of less than $50 million will have their assessment period reduced from 4 years to 2 years, in relation to assessments for income years starting on or after 1 July 2021.

However, certain entities with complex tax affairs or significant international tax dealings are excluded from the reduced 2-year amendment period.

1. *25% company tax rate*

A company tax rate of 25% is available for entities that qualify as a ‘[base rate entity](https://www.ato.gov.au/tax-rates-and-codes/company-tax-rate-changes#ato-Baserateentitycompanytaxrate)’ for the income year ending 30 June 2024.

A company will be regarded as being a base rate entity if:

* no more than 80% of the company’s assessable income comprises ‘base rate entity passive income’ and
* Its ‘aggregated turnover’ is less than $50 million.

For these purposes, aggregated turnover is only calculated on the relevant annual turnover of the company and its affiliates and connected entities for the current year.

A company’s ‘base rate entity passive income’ includes the following:

* distributions (e.g. dividends) other than non-portfolio dividends. A non-portfolio dividend is defined under section 317 of the *Income Tax Assessment Act 1936* (***ITAA 1936***) to mean a dividend paid to a company where that company has a voting interest amounting to at least 10% of the voting power in the company paying the dividend.
* franking credits attached to dividends
* non-share dividends
* interest income or a payment in the nature of interest (except interest income derived by an entity which is a financial institution such as a Bank or a Co-operative Housing Society or an entity that holds an Australian credit licence or is a financial services licensee in certain circumstances)
* royalties and rent
* deferred and discounted gains on Division 16E qualifying securities
* net capital gains (as defined under section 995-1(1) of the *ITAA 1997*)
* amounts included in partnership or trust income distributions of net income to the extent that they are attributable to base rate entity passive income under one of the preceding items which has been on-distributed to a company which is a partner in a partnership or a company which is a beneficiary of a trust.

Accordingly, an amount that flows through a partnership or trust to a company (either directly or indirectly via other interposed partnerships or trusts) will retain its character in the hands of the company for the purposes of determining whether or not that amount is base rate entity passive income of the company.

Hence, it is necessary to analyse and dissect partnership and trust distributions (including distributions via a chain of trusts and partnerships) to determine the nature of the income which is received by the company where it is either a partner in a partnership or a beneficiary of a trust.

Law Companion Ruling [LCR 2019/5](https://www.ato.gov.au/law/view/document?docid=COG/LCR20195/NAT/ATO/00001) provides that if a company is assessed on a share of net income of a trust or partnership it will have base rate entity passive income to the extent that the amount is included in assessable income as a trust or partnership distribution. However, where the distribution comprises a mixture of base rate entity passive income and trading income it also confirms that it will be necessary to allocate expenses in a fair and reasonable way particularly in relation to indirect costs such as overheads.

Once it is determined that the appropriate company tax rate is either 25% or 30%, all of the income derived by the company will be subject to tax at the applicable rate regardless of whether such income is base rate entity passive income or not.

1. [*Small business CGT concessions*](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-cgt-concessions)

[*Basic eligibility conditions*](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-cgt-concessions/small-business-cgt-concessions-eligibility-conditions/cgt-concessions-eligibility-overview)

An entity will only be able to satisfy the basic eligibility conditions of Division 152 for the income year ending 30 June 2024 where it is a ‘CGT small business entity’, which requires the entity to:

* have an aggregated turnover of less than $2 million in the year in which the entity triggers the capital gain, or
* satisfy the $6 [maximum net asset value test](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-cgt-concessions/small-business-cgt-concessions-eligibility-conditions/maximum-net-asset-value-test).

In addition, where a taxpayer is either a CGT small business entity or satisfies the $6 million maximum net asset value test, it will only be able to potentially claim the small business CGT concessions if the following basic conditions have been satisfied:

* the capital gain relates to an active asset used in carrying on a business
* the active asset has been used in carrying on a business for at least half the ownership period where it has been held for less than 15 years, or for at least seven and a half years where it has been owned for 15 years or more, and
* certain additional conditions are satisfied where the CGT asset is either a share in a company or an interest in a trust.[[1]](#footnote-2)

[*Additional conditions for shares and trust interests*](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-cgt-concessions/small-business-cgt-concessions-eligibility-conditions/additional-conditions-if-the-cgt-asset-is-a-share-or-trust-interest)

Additional conditions must be satisfied where there is a disposal of shares in a company or an interest in a trust in relation to a CGT event on or after 8 February 2018.

The relevant tests that must now be met include the following:

* the taxpayer must be a CGT concession stakeholder in the object company or trust where such interests are directly held by the taxpayer. Alternatively, an interposed entity will be eligible to claim the concessions where one or more CGT concession stakeholders indirectly have an interest in the object entity owned by the interposed entity, and CGT concession stakeholders together have a small business participation percentage of at least 90% in that interposed entity.
* the taxpayer must have carried on a business just before the CGT event unless the taxpayer satisfies the $6 million maximum net asset value test.
* the object entity must be a CGT small business entity for the income year or must satisfy the $6 million maximum net asset value test.
* the shares or interests in the object entity must satisfy a modified active asset test that looks through shares in companies and interests in trusts to the activities and assets of the underlying entities and adjusts the control percentage from 40% to 20%.

The practical application of the above additional conditions to the disposal of shares and trust interests is extremely complex especially where the relevant company or trust in which the shares or trust interests are sold are part of a multi-tiered group. Accordingly, it is strongly recommended that specialist advice be sought concerning the application of these provisions in reducing a capital gain on the sale of shares or trust interests under the small business CGT concessions.

Where all the basic eligibility conditions are met, a taxpayer can potentially access the small business CGT concessions. However, there may be additional conditions that must be satisfied in respect of certain concessions.

*Specific concessions*

The four small business CGT concessions comprise:

* [the 15-year exemption](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-cgt-concessions/small-business-15-year-exemption)
* [the active asset 50% reduction](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-cgt-concessions/small-business-50-percent-active-asset-reduction)
* [the retirement exemption](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-cgt-concessions/small-business-retirement-exemption)
* [the small business rollover](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-cgt-concessions/small-business-roll-over).

Further details on each of these concessions is provided below:

1. *15-year exemption*

An individual taxpayer satisfying the [basic conditions](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-cgt-concessions/small-business-cgt-concessions-eligibility-conditions/cgt-concessions-eligibility-overview#Basiceligibilityconditions) can disregard a capital gain under the small business 15 year exemption if that person owned the asset continuously for 15 years and was aged over 55 and was either retiring or is permanently incapacitated. Companies and trusts will similarly be able to disregard a gain where the basic conditions are met, the relevant active asset has been held continuously for at least 15 years, the company or trust had a [significant individual](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/concessions-offsets-and-rebates/small-business-cgt-concessions/small-business-15-year-exemption#Significantindividualtest) for at least 15 years and there was a significant individual of the company or trust just before the CGT event who was over 55 and retiring or permanently incapacitated. Where this concession is available there is no need to reduce the capital gain by capital losses or apply the CGT Discount or other small business CGT concessions.

1. *Active asset 50% reduction*

The small business 50% active asset reduction is available if the basic eligibility conditions to claim the small business CGT concessions are satisfied as there are no additional eligibility conditions which must be met in applying this concession. The concession operates on the basis that any gross capital gain must first be reduced by capital losses. The resulting capital gain (if any) is then reduced by the CGT Discount (if applicable). Any remaining balance of the capital gain is then reduced by 50% under the active asset reduction. The application of this concession can also be used in combination with the CGT retirement exemption and small business replacement asset rollover.

1. *The retirement exemption*

If the basic conditions are met, an individual taxpayer may choose to disregard a capital gain under the CGT retirement exemption up to a lifetime CGT retirement exemption limit of $500,000 where that individual is aged 55 or over. However, where such a taxpayer is aged less than 55 at the time of choosing the concession the amount of any exempted gain up to the above $500,000 threshold must be paid to a complying superannuation fund or a retirement savings account. In addition, a company or a trust can also choose to claim the retirement exemption. However, in these circumstances it will also be necessary to ensure that the significant individual test is satisfied just before the CGT event occurs, and that the amount of any gain is paid by the company or trust directly to the CGT concession stakeholders of the company or trust who will be subject to the above rules concerning the $500,000 retirement exemption.

1. *Small business rollover*

Where the basic conditions are met, a small business entity can also choose to indefinitely defer a capital gain if it applies the small business replacement asset roll-over. Where an entity chooses this concession, it must acquire replacement active asset(s) and/or improve existing active asset(s) within two years of the sale of the active asset. If this does not occur, a capital gain will arise to the extent that the deferred capital gain is not applied to acquire replacement and/or improved active asset(s) within two years from the date of sale of the active asset.

*Concession for superannuation contributions*

Contributions arising from the disposal of assets that qualify for the 15-year CGT exemption and the $500,000 CGT retirement exemption under the small business concessions may be contributed to a complying superannuation fund. The amount is generally a non-concessional contribution.

To exclude the amount from the non-concessional contributions cap and have it count towards the CGT cap amount instead, the fund must be notified on the [CGT cap election form](https://www.ato.gov.au/forms-and-instructions/capital-gains-tax-cap-election). The form must complete no later than the time the contribution is made.

1. [*Small business tax offset*](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/in-detail/small-business-income-tax-offset)

A small business entity that is not a company is entitled to a tax offset, provided its aggregated turnover for the year ended 30 June 2024 is less than $5 million.

The small business tax offset is a non-refundable tax offset of the income tax payable by an individual on any net small business income which is included in that individual’s taxable income. The offset is available not only when an individual is a small business entity but also where an individual is a beneficiary of a trust or a partner in a partnership which is an eligible small business entity.

The amount of the small business tax offset is equal to 16% of the income tax payable on that part of an individual’s taxable income that represents ‘total net small business income’. The amount of the offset is capped to a maximum annual amount of $1,000 for each individual regardless of the number of sources of net small business income that individual may derive.

Given the above concessions, there may be substantial benefits potentially available to your business if you are a small business entity.

If you would like to discuss how the small business tax concessions may affect your business or have any further queries, please do not hesitate to contact [insert name] on [insert telephone number].

Yours faithfully

**[Insert name of Partner]**

1. A taxpayer can also satisfy the basic eligibility conditions where an asset the taxpayer owns is used in a business carried on by an affiliate or an entity connected with the taxpayer even though the taxpayer does not carry on a business. However, such a test will only be met where the affiliate or connected entity is a CGT small business entity in the relevant year in which the gain was made, or the entity owning the asset meets the maximum net asset value test just before the CGT event. [↑](#footnote-ref-2)