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## Small Business Entities

Since 7 July 2007 the Simplified Taxation System has been replaced by a range of Small Business Concessions so long as certain qualifying criteria are met, such as the \$2 million turnover threshold. Small Business Entities can choose which concessions they adopt depending on their own circumstances. Eligibility must be reviewed each year.

### Some of the Concessions Are:-

Assets costing LESS THAN \$1,000 purchased prior to balance date qualify for a full tax deduction in the year of expenditure. Assets with an effective life of 25 years or less are pooled and depreciated at an accelerated rate of 30% under the diminishing value method (15% in year one, 30% thereafter).

Effective from the 1 July 2012, small business will be eligible for an instant deduction for assets costing \$5,000 or less.

Taxpayers, whose annual turnover is \$75,000 or less, may be eligible for an Entrepreneurs' Tax Offset. The offset is non refundable and cannot be carried forward to future years. Where turnover is \$50,000 or less, the offset is 25% of the tax liability relating to business income. The offset phases out to Nil when turnover reaches \$75,000.

The Entrepreneur's Tax offset has been abolished effective from the 1 July 2012.

From 1 July 2007, small business entities are not required to satisfy the net assets test in order to access the small business Capital Gains Concessions so long as they comply with the \$2 million turnover test. This means that even if their net business assets (and those of any CGT affiliates) exceed \$6 million they may still be eligible to claim the active asset concession, retirement or replacement asset concession.

Small business entities are also able to claim deductions for prepaid expenditure (for services which will be completed within the next 12 months) without the need to comply with rules governing the deductibility that apply to other taxpayers. The kinds of expenditure that may be prepaid include rent on business premises, lease payments on business plant and equipment, interest on some financial arrangements, business trips planned for the following year, training courses, business subscriptions and cleaning contracts.

In the 2011-12 Federal Budget the Government has proposed a tax write off for the first \$5,000 of any Motor Vehicle purchased by a small business from 1 July 2012. Thus, consideration should be given to deferring the purchase of motor vehicles until 1 July 2012.

"ACCOUNTANTS  
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