



Taxation Changes - May 2010

Cutting the Company Tax Rate

The company tax rate will reduce to 28% as illustrated in the table below:

Financial Year	Small Business (turnover less than \$2mill)	Other Business
2010/11 & 2011/12	30%	30%
2012/13	28%	30%
2013/14	28%	29%
2014/15 and later years	28%	28%

The Government intends to consult on exposure draft legislation and has stated that relevant issues for consultation include instalment and franking arrangements.

Small Business Instant Asset Write Off

Currently small businesses (those with annual turnover of under \$2 million) can immediately write-off expenses for assets worth up to \$1,000 in value. From 1 July 2012, small businesses will be able to immediately write-off assets which have a value of less than \$5,000.

Additionally, small businesses will be able to have one depreciation pool for all other assets (excluding buildings) and write-off this pool of assets at 30%. Currently, they allocate assets to two different depreciation pools.

This will:

- simplify depreciation calculations and reduce compliance costs by removing the requirement to calculate depreciation allowances and track assets for depreciation;

- increase their cash-flow by deferring tax liabilities; and
- make asset ownership more attractive than leasing or debt financing.

It is worth noting that the Henry review recommended the \$2 million threshold should be increased to \$5 million and that small businesses should have the ability to write off assets with a purchase value of less than \$10,000.

Resource Super Profits Tax

The Government will introduce a Resource Super Profit Tax of 40% from 1 July 2012. This is expected to raise \$9-12 billion in additional tax revenue for the Government from large resource companies.

Consultation on this measure has commenced and will be finalised by the end of August. Once finalised legislation will be drafted.

Resource Exploration Rebate

The measure will provide a refundable tax offset at the company level, set at the prevailing company tax rate, for exploration expenditure carried out in Australia.

It will be available for exploration expenditure incurred on or after 1 July 2011. As part of this measure, the definition of exploration expenditure will be expanded to include expenditure incurred in exploring for geothermal energy.

All companies will be able to access the Resource Exploration Rebate.