



## Are you eligible for the small business income tax offset?

The small business income tax offset can reduce the tax that an eligible business pays by up to \$1,000 each year.

Also known as the unincorporated small business tax discount, the offset is calculated on the proportion of tax payable on your business income. The rate of the offset is 8% up to the end of the 2019-20 income year. It will increase to 13% for the 2020-21 income year, and again to 16% for 2021-22 and onwards. The maximum offset you can receive is \$1,000.

To be eligible, you must be carrying on a small business as a sole trader, or have a share of net small business income from a partnership or trust. The business must have an aggregated turnover of \$5 million or less for the 2016-17 income year onwards.

### **Sole traders:**

Your net small business income is used to determine your income tax offset. It is calculated by the sum of your assessable income from carrying on your business, not including any deductions. Where your net small business income is a loss, it is treated as zero and you are not entitled to the offset. Eligible income and deductions you must include in your net small business income are:

- Farm management deposits claimed as a deduction.
- Net foreign business income relating to your sole trading business.
- Other income or deductions such as interest or dividends obtained in the course of your business.

You cannot include certain income and deductions in working out your net small business income, such as:

- Net capital gains made from carrying on your business.
- Salary and wages.
- Interest and dividends unless it's related to a business activity.
- Personal services income (unless you were a personal services business).
- Donations / gifts.
- Personal superannuation contributions.
- Accounting fees.

### Partnerships and trust distributions:

Having a share of net small business income distributed from a partnership or trust that is a small business entity can make you eligible for a tax offset. You may also be eligible if you are a partner or beneficiary of a small business partnership or trust, or if you have assessable income that includes a share or distribution of net income from that partnership or trust. A statement of distribution or advice from the partnership or trustee will document your share of the net small business income. While your share can't be a loss, it can be zero for you to claim the offset.

The ATO calculates the tax offset using the information you provide in your income tax return, which is then shown on your notice of assessment. To assist those completing their tax return using myTax, the ATO provides a small business income tax offset calculator. This assesses the income amounts that are to be used to work out the tax offset and informs the taxpayer where to include the information in their tax return.

*Please give your Accountant a call for any tailored advice in relation to your particular situation.*

**A tailored approach for each business is recommended so call us for assistance and advice on 4927 4588 (Rockhampton) or 4939 1766 (Yeppoon) to see how we can help.**

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