

How the 2016 Budget Tax Cuts will Affect Your Business

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by Nigel Bowen



The tax cuts being offered to small businesses in the 2016 budget made headlines and may affect all businesses in Australia. We look at what the changes could mean for your company.

Small Business Tax Cuts

The 2015 budget saw the tax rate for small businesses (then classified as those making less than \$2 million a year) lowered from 30% to 28.5%.

This year's budget saw it lowered to 27.5%.

It also saw the first step in the broadening of the definition in what a small business is, with businesses, and sole traders, making up to \$10 million now making the cut. This means approximately 60,000 businesses that missed out on the tax reduction last year because they fell outside of the \$2 million bracket will now enjoy a 2.5% tax reduction.

Discount for the Unincorporated

Unincorporated small businesses will receive an 8% tax discount as of July, up from 5% last year. It's capped at \$1000 and only applies to businesses earning less than \$5 million. "This will provide unincorporated small businesses with improved cash flow and enable profitable unincorporated businesses to reinvest in their business to help them grow," says Small Business Minister Kelly O'Dwyer.

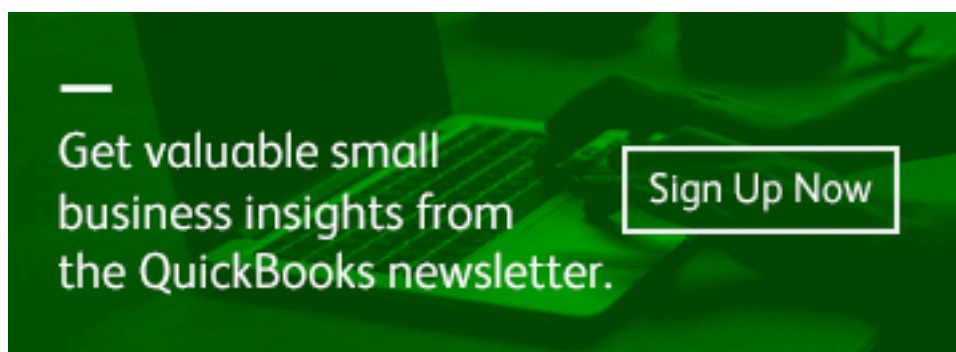
Personal Tax Cuts

If you pay tax as an individual rather than as a business and are towards the upper end of the income scale, there's some good news for you too. The threshold for the second-highest income tax bracket has been lifted from \$80,000 to \$87,000. Granted, the best-case scenario is that you'll have an extra \$315 in your pocket but every little bit helps.

\$20,000 Instant Tax Write-off

This measure was first introduced in the 2015 budget and extended to business with revenues of up to \$10 million in the 2016 budget. Effectively, it means you get to write off things in one financial year rather than over several. Nonetheless, if you've been thinking about investing in some equipment, this measure will result in a fatter tax refund if you go ahead and buy it.

Businesspeople don't need to do anything to enjoy the tax cuts listed above. As long as their revenue or business expenses meet the criteria, they automatically receive them.



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Those wanting to lower their tax bill even further

(<http://www.intuit.com.au/r/australia/4-quicktips-to-boost-your-business-position-come-tax-time/>) can pay as many outstanding bills as possible by June 30 while trying to delay payments from clients until after that date. That noted, with both sides of politics committed to continuing to lower the tax burden on small businesses, it may not be worth the effort.

Understanding the implications of each new budget announcement can help you process your tax returns quicker and save you money. For more information and tax tips, take a look through our Small Business Centre (<http://www.intuit.com.au/r/>) today.

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