

Charter Partners Tax & Business Tips
Small Business Reforms (Changes Effective from 1 July 2012)

The Government has announced the following tax reforms for small businesses:

(a) Entrepreneurs' Tax Offset (ETO) abolished

The ETO will be abolished with effect from the 2012/2013 income year and replaced with a small business tax package that includes an immediate initial deduction for motor vehicles (refer below) and previously announced reforms (refer below) in order to better target tax incentives.

(b) Immediate \$5,000 initial deduction for motor vehicles

Small businesses will be allowed to claim up to \$5,000 as an immediate deduction for motor vehicles acquired from the 2012/2013 income year. The remaining cost of the vehicle value will be added to the General Small Business pool and depreciated at 15% in the first year and 30% in the second and later years under the existing simplified depreciation rules for small business entities.

It should be noted that, although the Government's announcement does not make any reference to the effect of a motor vehicle's private use, it is expected that a claim will only be available for the business use portion of a vehicle.

(c) Small business measures previously announced

The Government's tax reforms for small businesses include the following measures previously announced to apply from 2012/2013:

- An immediate write-off of all assets valued at under \$5,000 (currently \$1,000);
- A write off of all other assets (except buildings) in a single depreciation pool at a rate of 30%. Currently, small businesses allocate assets to two different depreciation pools (i.e the general and long life pools), with two different depreciation rates (i.e 30% and 5% respectively); and
- An early reduction in the company tax rate to 29% (previously announced as 28%) for incorporated small businesses. For all other companies, the corporate tax rate will be reduced to 29% for 2013/2014 and then to 28% from 2014/2015 (as previously announced).

If you want to know more about the upcoming changes for small businesses, please click [here](#)