

Budget 2012-13: Small Business

May 2012

Small and medium size businesses affected by the multi-speed economy, the high dollar and weak consumer spending are set to benefit from a series of measures in the 2012-13 budget designed to kick-start investment and create jobs. The 2012-13 budget contains several spending measures to benefit low and middle income families. The suite of new spending measures will increase the purchase power of consumers and encourage demand; this will indirectly benefit small businesses as well. However, the 2012-13 budget also presents some spending cuts affecting business.

Loss carry back

From the 2012-13 income year, companies will be allowed to carry-back tax losses so they receive a refund against tax previously paid. A one year loss carry-back will apply in 2012-13, where tax losses incurred in that year can be carried back and offset against tax paid in 2011-12. For 2013-14 and later years, tax losses can be carried back and offset against tax paid for up to two years earlier.

Companies will be able to carry back up to \$1 million of revenue losses each year. This will provide a maximum cash benefit of up to \$300,000 a year. Revenue losses not carried back will still be available to be carried forward and utilised subject to the current loss recoupment rules.

The Government will release a Discussion Paper providing the detailed operation of the regime including the mechanism for refunding prior year tax paid and the integrity rules.

Instant asset write off

- From 1 July 2012 small businesses will be able to immediately write off eligible new assets up to the amount of \$6500 per asset. This measure is meant to improve cash flow and reduce red tape for Australian businesses with an annual turnover up to \$2 million.

\$5000 deduction for motor vehicles

- Small business will be able to claim up to \$5000 as an immediate deduction for a new or used motor vehicles acquired from 1 July 2012.

Small business advisory

- The Government announced that the Small Business Advisory Service (SBAS) will be made permanent, with additional funding of \$28 million over the next four years.

No deduction in corporate tax rate

- The proposed deduction in corporate tax rate from 30% to 29% as set out as part of the Minerals Resource Rent Tax has been scrapped in the 2012-13 Budget. The Government was unable to pass the legislation required to implement the one per cent deduction following opposition from the Coalition parties and the Australian Greens.

Green Buildings

- The Government will not proceed with the previously announced one-off tax deduction for businesses undertaking capital works to improve their energy efficiency. The program was due to start 1 July 2012.

GST Compliance

- In the 2010-11 budget the Government allocated \$337 million to the Australian Tax Office over four years to fund GST compliance. In the 2012-13 budget the Government announced that a further \$195 million will be provided for ATO's GST compliance activities. This is likely to result in an increasing number of GST registered businesses being targeted for ATO reviews and audits.



Small business by selected industry

Source: Budget Overview pp. 13