

Barton Deakin Brief: Coalition's Enterprise Tax Plan Measures

3 April 2017

On Friday 31 March, the Coalition Government announced a negotiated deal with the Nick Xenophon Team to pass key measures of its Enterprise Tax Plan through the Senate. Though the legislation still needs to pass the House of Representatives (where the Coalition Government hold a majority) the Australian Taxation Office are now able to implement the changes.

Reduced corporate tax rate for companies with turnovers up to \$50 million

The passing of the legislation in the Senate will deliver tax relief for around 3.2 million small and medium Australian businesses with turnovers of less than \$50 million. Those companies with a turnover of less than \$10 million will receive a reduction in their tax rate to 27.5% for this financial year. The turnover threshold will be gradually increased to include companies with turnover of up to \$50 million by 2018-19. The deal delivers the government the first three-years of its ten-year plan to cut the company tax rate from 30 per cent to 25 per cent for all Australian business by 2026-27.

The Government remains committed to gradually increase the turnover threshold at which the 27.5 per cent rate begins. This would include companies with a turnover of \$1 billion in 2021-22 and all companies by 2023-24. The tax rate would then decrease yearly by 0.5 per cent to reach 25 per cent in 2026-27. A summary of the proposed turnover threshold and rates is provided in Table 1 below.

In negotiations with the Nick Xenophon Team, the Government agreed to a range of measures, including:

- A deadline to bring about changes to National Electricity Market Rules by 1 July 2018;
- An agreement to implement gas pricing and capacity transparency recommendations of the ACCC gas and Vertigan inquiries by 1 July 2017;
- A commitment to ensuring an increase of gas supply into the domestic market by direct interventions if necessary, including a 'use it or lose it' policy on tenements and a commitment to use its powers to ensure Australian gas is directed to the domestic market if voluntary agreement is not reached with gas companies by 1 July 2017;
- A commitment to longer term public interest requirements to be met for all future gas export contracts;
- An agreement that the Productivity Commission conduct a review into electricity retailers, particularly the effect and appropriateness of gas company joint venture arrangements in markets where there are limited suppliers;
- A \$110 million low-interest loan from the Federal Government for installation of the Solar Thermal Plant in Port Augusta;
- A one-off energy assistance payment of \$75 for single recipients and \$125 for couple recipients of the Aged Pension, the Disability Pension and the Parenting Payment;
- An accelerated consideration of a gas pipeline from the Northern Territory to SA.



Table 1: Government's proposed timing of turnover thresholds for reduced tax rate

Year	Aggregated Annual Turnover Threshold	Entities under the Threshold	Other Corporate Tax Entities
2015–2016	\$2m	28.5%	30.0%
2016–2017	\$10m	27.5%	30.0%
2017–2018	\$25m	27.5%	30.0%
2018–2019	\$50m	27.5%	30.0%
2019–2020	\$100m	27.5%	30.0%
2020–2021	\$250m	27.5%	30.0%
2021–2022	\$500m	27.5%	30.0%
2022–2023	\$1b	27.5%	30.0%
2023–2024	No threshold	27.5%	27.5%
2024–2025	No threshold	27.0%	27.0%
2025–2026	No threshold	26.0%	26.0%
2026–2027	No threshold	25.0%	25.0%

Source: Australian Tax Office

Further information

To view the media release from the Treasurer, click [here](#).

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