Changes to company tax rates

When to apply the lower company tax rate and how to work out franking credits.

Last updated 4 June 2025

On this page

Company tax rates

Base rate entity company tax rate

Small business entity company tax rate

Not-for-profit companies

Maximum franking credits

Company tax rates

Company tax rates apply to entities which include:

- companies
- corporate unit trusts
- public trading trusts.

The full company tax rate of 30% applies to all companies that are not eligible for the lower company tax rate. Eligibility for the lower company tax rate depends on whether you are a base rate entity from the 2017–18 income year and onwards.

Base rate entity company tax rate

From the 2021–22 income year onwards, companies that are base rate entities must apply the 25% company tax rate.

A company is a base rate entity for an income year if:

- the company's aggregated turnover for that income year is less than the aggregated turnover threshold for that income year, and
- it has 80% or less of their assessable income in that income year that is base rate entity passive income – this replaces the requirement to be carrying on a business from the 2017–18 income year onwards.

The aggregated turnover from any prior income year is irrelevant when working out if a company is a base rate entity for any particular income year.

Base rate entity passive income is:

- corporate distributions and franking credits on these distributions
- royalties and rent
- interest income (some exceptions apply)
- gains on qualifying securities
- a net capital gain
- an amount included in the assessable income of a partner in a partnership or a beneficiary of a trust, to the extent it is traceable (either directly or indirectly) to an amount that is otherwise base rate entity passive income.

Table: Progressive changes to the company tax rate

Income year	Aggregated turnover threshold	Tax rate for base rate entities under the threshold	Tax rate for all other companies
2017–18	$25m	27.5%	30.0%
2018–19 to	$50m	27.5%	30.0%

2019–20			
2020–21	$50m	26.0%	30.0%
2021–22 and future years	$50m	25.0%	30.0%

Example: base rate entity

Happy Feet Pty Ltd is a company that sells socks online. Its owner, Lloyd Chan, wants to expand the business into running shoes as well. The capital he needs to expand the business is put into a term deposit while he negotiates with suppliers.

In the 2024–25 income year, Happy Feet Pty Ltd has an aggregated turnover under the $50 million aggregated turnover threshold. Its assessable income is $104,000, comprising:

- $100,000 trading income from running the business
- $4,000 of interest income.

The interest income is base rate entity passive income. Because this income is only 3.8% of its assessable income, Happy Feet Pty Ltd is a base rate entity for the 2024–25 income year and the 25% company tax rate applies.

Example: base rate entity

Coffee and Cake Pty Ltd is the owner of a small cafe. It is also the beneficiary of a trust which owns the premises from which the cafe operates and the premises next door. Above the cafe, there is a large studio space which the trust rents out to a very successful yoga school. Next door is rented to a high-end retail store. All rental income earned by the trust is distributed to Coffee and Cake Pty Ltd.

In the 2024–25 income year, Coffee and Cake Pty Ltd has an aggregated turnover under the $50 million aggregated turnover threshold. Its assessable income is $700,000, comprising:

- $500,000 of trading income from running the business
- $200,000 of gross rental income attributable to the trust distribution.

The rental income is base rate entity passive income. Because this income is only 28.6% of its assessable income, Coffee and Cake Pty Ltd is a base rate entity for the 2024–25 income year and the 25% company tax rate applies.

Example: not a base rate entity because passive income is too high

Best Equity Ltd is a listed investment company which invests in Australian shares.

In the 2024–25 income year, Best Equity Pty Ltd has an aggregated turnover under the $50 million aggregated turnover threshold. Its assessable income is $5 million, comprising:

- $1 million of interest income
- $4 million in dividends.

100% of Best Equity Ltd's assessable income is base rate entity passive income. As a result, they are not a base rate entity for the 2024–25 income year and the 30% company tax rate applies.

For more information on base rate entities, see the Law Companion Ruling **LCR 2019/5** *Base rate entities and base rate entity passive income*.

To work out your aggregated turnover, refer to **Calculate your aggregated turnover**.

Small business entity company tax rate

For the 2017–18 income year and onwards, you need to be a base rate entity, rather than a small business entity to be eligible for the lower tax rate.

For more information on when a company carries on a business, refer to the Taxation Ruling **TR 2019/1** *Income tax: when does a company carry on a business?*

Not-for-profit companies

If you are a **not-for-profit company**, you don't pay tax on the first $416 of your taxable income. Tax is then payable at a rate of 55% of the excess over $416 until the tax on your taxable income effectively equals the company tax rate. You are then taxed at the company tax rate.

If you are a base rate entity, the shade in limit for not-for-profit companies is:

- $788 for the 2020–21 income year
- $762 for the 2021–22 income year and later years.

Maximum franking credits

To work out the company tax rate for franking your distributions, otherwise referred to as **'corporate tax rate for imputation purposes'**, you need to assume your aggregated turnover, assessable income, and base rate entity passive income will be the same as the previous income year.

You are a base rate entity if either of the following apply:

- your aggregated turnover in the previous income year was less than $50 million, and 80% or less of your assessable income was base rate entity passive income
- the entity didn't exist in the previous income year.

Otherwise, your corporate tax rate for imputation purposes is 30%.

QC 54063

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.