



Tips to get your base rate entity status correct

Read our tips to get your company tax returns right when determining base rate entity status.

Published 7 April 2026

We're seeing many company tax returns lodged with the base rate entity status applied incorrectly. A company is a **base rate entity** for an income year if both of the following apply:

- the company's aggregated turnover for that income year is less than the aggregated turnover threshold for that income year (\$25 million for 2017–18 and \$50 million for 2018–19 and future years)
- 80% or less of the company's assessable income for that income year 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.

Tips

When determining base rate entity status, you should keep these key tips in mind:

- **Include all connected and affiliated entities.** When calculating aggregated turnover, make sure you include all connected and affiliated entities, including international entities. Omitting entities is a common cause of incorrect base rate entity outcomes.

- **Include capital gains in base rate entity passive income calculations.** You need to include net capital gains when working out base rate entity passive income. This includes capital gains from assets used within your business, even if they're considered to be 'active assets'. Only capital gains that are disregarded for the purpose of calculating your net capital gain, such as capital gains from assets eligible for the small business 15-year exemption, are excluded.
- **Include all base rate entity passive income types when determining eligibility.** You need to include rent, royalty, interest and some dividend income amounts, as these are often missed.
- **Re-assess base rate entity status every year.** You need to review base rate entity status annually. Don't assume last year's outcome still applies – changes in turnover, income sources, or group structure (including newly-acquired entities or shareholder changes) can affect the result.
- **Calculate base rate entity passive income even if turnover is under \$50 million.** If aggregated turnover is less than \$50 million, you still need to calculate base rate entity passive income. This step is required to confirm base rate entity status eligibility but is sometimes overlooked.


If you need help understanding how base rate entity status applies to company tax returns, you can contact us for assistance. Getting it right the first time helps you avoid processing delays and the need for amendments.

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QC 106356

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