Print whole section

Business offsets and rebates

Includes concessions for small business CGT, primary producers, special professionals and loss carry back tax offsets.

Small business income tax offset

The small business income tax offset can reduce the tax on your small business income by up to $1,000 each year.

Small business restructure roll-over

Transfer active capital gains tax assets between eligible restructuring entities without tax liabilities.

Digital games tax offset

Check if you can claim the digital games tax offset (DGTO) for costs incurred in developing digital games in Australia.

Claiming a foreign income tax offset

Check if you can claim a tax offset for foreign tax you pay on income from another country.

Loss carry back tax offset

Refundable tax offsets for losses eligible corporate entities can claim for losses in 2019–20 to 2022–23 income years.

Research and development tax incentive

Apply for an offset under the research and development (R&D) tax incentive.

QC 51609

Small business income tax offset

The small business income tax offset can reduce the tax on your small business income by up to $1,000 each year.

Last updated 7 May 2025

The small business income tax offset (also known as the unincorporated small business tax discount) can reduce the tax you pay by up to $1,000 each year.

The offset is worked out on the proportion of tax payable on your business income.

Eligibility

To be **eligible**, you must be carrying on a small business as a sole trader, or have a share of net small business income from a partnership or trust.

The small business must have an aggregated turnover of less than $5 million for the 2016–17 income year onwards.

Table: Progressive changes to the small business income tax offset

Income year	Aggregated turnover threshold	Rate of offset	Maximum offset

2015–16	$2m	5%	$1,000
2016–17 to 2019–20	$5m	8%	$1,000
2020–21	$5m	13%	$1,000
2021–22 and onwards	$5m	16%	$1,000

We'll work out your offset based on your income tax return. We use your:

- net small business income you earned as a sole trader
- share of net small business income from a partnership or trust.

Working out your offset

The offset is worked out based on the proportion of tax payable relating to your total net small business income.

Your aggregated turnover threshold and your rate of offset depends on the income year of your return.

Your offset will be your rate of offset of the following amount, up to the limit of $1,000.

'Your total net small business income for the income year' divided by 'Your taxable income for the income year' multiplied by 'Your basic income tax liability for the income year'.

If your total net small business income is greater than, or equal to, your taxable income, your offset will be your rate of offset of your basic income tax liability for the year. The offset amount will be shown separately on your notice of assessment.

Claiming the offset

We calculate your offset using information from your tax return. Your offset amount will be shown on your notice of assessment.

If you're completing your return using myTax and need help working out the income amounts, you can use the **Small business income tax offset calculator**. The calculator works out your income amounts to be used to work out your tax offset, and tells you where to include them in your tax return. It doesn't work out your tax offset; we'll do that for you when we process your tax return. You can access the calculator from within myTax or from the link below.

Sole traders

We use your net small business income to calculate your small business income tax offset.

Calculating net small business income

Your net small business income is the sum of your assessable income from carrying on your business, minus any deductions.

If your net small business income is a loss, it's treated as zero and you're not entitled to the offset.

If you had more than one sole trader business during an income year, you combine all your assessable business income from all your sole trader businesses and then minus the deductions from that total income.

If you carried on more than one business and any of them made a loss, apply the non-commercial losses rules first. Your net small business income is only reduced by losses deductible in the current year. To work out your net small business income, start with the net business income or loss and then increase this amount by any sole trader deferred non-commercial losses not deductible in the current year.

Eligible income and deductions

Include the following amounts in your net small business income:

- farm management deposits claimed as a deduction
- repayments of farm management deposits included as income
- net foreign business income related to your sole trading business
- other income or deductions, such as interest or dividends derived in the course of conducting your business.

Income and deductions you cannot include

Don't include the following income amounts in working out net small business income:

- net capital gains you made from carrying on your business
- personal services income (unless you were a personal services business)
- salary and wages
- allowances and director's fees
- government allowances and pensions
- interest and dividends unless it's related to a business activity
- interest earned on a farm management deposit.

Don't include the following deductions in working out net small business income:

- tax-related expenses such as accounting fees
- gifts, donations or contributions
- personal superannuation contributions
- current year business losses, which are not deductible this year under the non-commercial loss rules
- tax losses from prior years (unless they are deferred non-commercial losses).

We'll work out your offset using the net small business income you show on your tax return.

Next step:

- Use our **Small business income tax offset calculator**

Partnership and trust distributions

You may be eligible for the tax offset if:

- you have a share of net small business income distributed from a partnership or trust that is a small business entity

- you (as an individual) were a partner or beneficiary of that small business partnership or trust
- the business income was derived by the small business partnership or trust from carrying on its own business activities
- your assessable income includes a distribution or share of net income from that partnership or trust.

Your statement of distribution or advice from the partnership or trustee will show your share of net small business income from each partnership or trust. Your share of net small business income can't be a loss, but it can be zero.

Business income from another partnership or trust

You can only claim the offset for income derived by a partnership or trust, carrying on its own business activities, in which you're a partner or beneficiary. You can't claim the offset for business income derived by another partnership or trust you aren't a partner or beneficiary in.

Example: Trusts

Rogers Jones Goods is a small business operated by R & J Unit Trust. The Trust's equal unit holders are the Rogers Family Trust and the Jones Family Trust.

Neither family trust operates a small business; they only receive a distribution of income from R & J Unit Trust. The distribution of income is included in each of the family trusts net income. Each family trust distributes the net income to the individual beneficiaries.

The beneficiaries of the family trusts are not entitled to the offset as the income is net small business income of R & J Unit Trust not the family trusts.

You're only entitled to claim the offset on the portion of business income derived by the small business partnership or trust from carrying on its own business activities.

Example: Partnerships and trusts

Chapman Reeves Accounting is a small business operated by a partnership. The partnership is between the Chapman Family Trust and the Reeves Family Trust, which each receive a 50% share of the net income totalling $140,000. Both family trusts distribute the income from the trust to the individual family members.

The Chapman Family Trust also carries on its own small business called Chapman Tutors. The Chapman Family Trust derives $50,000 from Chapman Tutors and $70,000 from its share from Chapman Reeves Accounting. An amount of $120,000 is distributed to its individual beneficiaries; however the individuals are only entitled to the small business income tax offset on $50,000.

The individuals are not entitled to the offset on the $70,000 that was distributed from the partnership, as this is net small business income of the partnership, not the family trust.

Partners

Any deductions you can claim as an individual partner will reduce your share of net small business income.

If your deductions are greater than your share of net small business income from that partnership, treat your share from that partnership as zero.

Partner deductions that reduce your net small business income include:

- landcare expenditure
- expenditure on a water facility
- deductible farm management deposits
- prior year non-commercial losses that you have claimed in the relevant year as a partner.

Deductions that **don't** reduce your share of net small business income are:

- tax-related expenses such as accounting fees
- gifts, donations or contributions

- personal superannuation contributions.

Don't include any personal services income attributed to you from a partnership that was a personal services entity.

If you're a partner, the statement of distribution or advice should also include details of any business losses. If the partnership made an overall loss on all the businesses, your share of net small business income will be zero and you aren't entitled to the offset on that partnership share.

If the partnership made an overall profit on all its businesses, but one business made a loss, you'll need to consider the non-commercial loss rules. If your share of the loss is not allowable as a deduction this year, you must increase your share of net small business income by your share of the loss.

If you had a repayment of a farm management deposit as a partner, this will affect your offset.

For more information, see Other business amounts you need to include.

Beneficiaries

Any deductions you can claim as an individual beneficiary will reduce your share of net small business income. This includes any deductible farm management deposits you made during the year.

If your deductions are greater than your share of net small business income from that trust, treat your share from that trust as zero.

Don't include the following deduction amounts:

- tax-related expenses
- gifts, donations or contributions
- personal superannuation contributions.

Don't include the following income amounts:

- your share of a net capital gain from a trust asset even if it’s been used in the business
- any personal services income attributed to you from a trust that was a personal services entity.

If you had a repayment of a farm management deposit as a beneficiary, this will affect your offset.

For more information, see Other business amounts you need to include.

Other business amounts to include

Include any income because you're a partner or beneficiary in a small business entity that are:

- repayments of farm management deposits
- any other business amounts.

Other business amounts must meet all the following criteria:

- they aren't included in the partnership or trust's assessable income for an income year
- they would have formed part of the partnership or trust's net small business income for an income year if the amount was included in the partnership or trust's assessable income for that income year.

An example is if you receive a recoupment or reimbursement of a deduction that you previously claimed as a partner or beneficiary.

Don't include:

- your share of a net capital gain from a partnership or trust asset even if it's been used in the business
- any personal services income attributed to you from a partnership or trust that was a personal services entity
- interest earned on a farm management deposit.

Reduce your farm management repayments, and other income amounts, by any deductions that are attributable to each of those amounts. You can reduce these amounts to zero, but not below.

Next step:

- Use our **Small business income tax offset calculator**

If you are a trustee or minor beneficiary

You aren't entitled to claim the offset on behalf of a beneficiary if you're acting in your capacity as a trustee of a small business entity

trust.

Beneficiaries who are minors under 18 years old aren't entitled to the offset, unless they're an **excepted person**.

Non-commercial losses

The **non-commercial loss** rules determine whether the loss, or your share of the loss, is deductible in the current year. Your net small business income, or share of net small business income, is only reduced by losses deductible in the current year.

Sole traders

If you're a sole trader affected by the non-commercial loss rules, and your business loss is not deductible this year, treat that loss as zero when working out your net small business income.

If you have multiple businesses and a business loss is deductible in the current year, use that loss to offset a profitable business in working out your net small business income from all your businesses.

Partners

If you're in a partnership, the statement of distribution or advice should show details of any business losses. If your share of the loss is not deductible in the current year, you need to increase your share of the partnership's net small business income by that amount.

PAYG instalments

Your pay as you go (PAYG) instalment will automatically take into account your offset after you have claimed it in your tax return. You can **vary your instalment** to take into account the offset if you have not yet lodged your tax return.

QC 49023

Small business restructure roll-over

Transfer active capital gains tax assets between eligible restructuring entities without tax liabilities.

Last updated 7 May 2025

Eligibility

The small business restructure roll-over allows small businesses to transfer active assets from one entity to another without incurring an income tax liability.

The roll-over applies if each party to the transfer is one of the following in the income year in which the transfer occurs:

- a small business entity
- an entity that has an affiliate that is a small business entity
- an entity that is connected with a small business entity
- a partner in a partnership that is a small business entity.

You are eligible for the small business restructure roll-over if:

- you are an eligible entity with an aggregated turnover of less than $10 million
- from 1 July 2016, you transfer **active assets** that are capital gains tax (CGT) assets, trading stock, revenue assets or depreciating assets from one entity (the transferor) to one or more other entities (transferees)
- transfer of assets forms part of a genuine restructure of an ongoing business as opposed to an artificial or inappropriately tax-driven scheme
- the transaction must not result in a change to the ultimate economic ownership (individuals who, directly or indirectly, own an asset) of transferred assets. When there is more than one individual with ultimate economic ownership, there is an additional requirement that each individual's share of ultimate economic ownership be maintained.

Determining whether a restructure is genuine depends on all the facts surrounding the restructure.

To provide certainty to small business owners, a safe harbour rule is included that provides an alternative way of meeting the requirement that a restructure is genuine.

For more about what we consider to be a genuine restructure of an ongoing business and more about the safe harbour rule, see Law Companion Ruling LCR 2016/3 *Small Business Restructure Roll-over: genuine restructure of an ongoing business and related matter*.

Example: ultimate economic ownership does not change

Penny runs a furniture manufacturing business as a sole trader.

Penny sets up the Just Me Unit Trust with herself as sole unit holder and transfers the active assets of the business to the trust.

This would not result in a change in ultimate economic ownership of those assets because Penny continues to hold a 100% interest in the transferred assets.

Example: changed share of ownership

Amy, Joanna and Remy run a delivery business as equal partners and want to transfer their interests in the assets of the partnership to a company. Joanna and Remy are a couple.

Amy, Joanna and Remy establish a company, where 300 identical shares are issued as:

- 100 shares to Amy
- 150 shares to Joanna
- 50 shares to Remy.

This distribution is because Remy has other income and Joanna and Remy, as a couple, want to lower their overall income tax bill.

This shows the company restructure is not a genuine restructure but a tax-driven scheme.

The same individuals have ultimate economic ownership of the asset but there is a change in the proportionate share of the ultimate economic ownership. Therefore, Amy, Joanna and Remy are not eligible for the small business restructure roll-over.

Discretionary trusts and ultimate economic ownership

Discretionary trusts may meet the requirements for ultimate economic ownership, for example, where there is no practical change in which individuals economically benefit from the assets before and after the transfer.

Family trusts may meet an alternative ultimate economic ownership test where both:

- the trustee has made a **family trust election**
- every individual who had ultimate economic ownership of the transferred asset before the transfer, and every individual who has ultimate economic ownership after the transfer, must be members of the family group relating to the family trust.

Eligible assets

This roll-over applies to active assets that are CGT assets, depreciating assets, trading stock or revenue assets transferred between entities as part of a genuine restructure of an ongoing business.

Active assets are assets used, or held ready for use, while running a business.

The roll-over is not available for any other business assets, such as loans to shareholders of a company, as they are not active assets of the business run by the creditor.

Consequences of choosing the roll-over

If you choose to apply the small business restructure roll-over, there are a number of tax consequences:

- Assets transferred under the roll-over will not result in an income tax liability arising for either party at the time of the transfer.
- The transferor is considered to have received an amount for the transferred asset equal to the transferor's cost of the asset for income tax purposes.
- The transferee is considered to have acquired the asset at the time of the transfer for an amount that equals the transferor's cost just before transfer.
- There may be potential liabilities such as stamp duty or goods and services tax (GST) consequences to consider before restructuring.
- Even though a restructure may meet the roll-over requirements, this does not prevent the general anti-avoidance rule from applying to a scheme involving the application of the roll-over.
- For more information about how general anti-avoidance rules may apply to an arrangement or scheme, see **Practice Statement Law Administration PS LA 2005/24** *Application of General Anti-Avoidance Rules*.

CGT assets

The following tax implications apply to transferred CGT assets:

- Pre-CGT assets will retain their pre-CGT status after the transfer.
- To be eligible to claim the CGT discount for any subsequent sale of the asset, the transferee will need to wait at least 12 months before a CGT event happens to that asset.
- For the purposes of determining eligibility for the small business 15-year exemption, the transferee is considered to acquire the asset when the transferor acquired it.

Trading stock

The roll-over cost of an asset that is trading stock is either the:

- cost of the item for the transferor at the time of the transfer
- value of the item for the transferor at the start of the income year if the transferor held the item as trading stock at that time.

Depreciating assets

The roll-over prevents the transferor from having to make a balancing adjustment when assets are transferred. This allows the transferee to deduct the decline in value of the depreciating asset using the same method and effective life as the transferor was using.

Revenue assets

If the asset is a **revenue asset**, the roll-over cost is the amount that would result in the transferor not making a profit or loss on the transfer. The transferee will inherit the same cost attributes as the transferor just before transfer.

Shares or interests in a company or trust

This roll-over does not require that market value consideration, or any consideration, be given in exchange for the transferred assets.

Where membership interests are issued as consideration for the transfer, the cost base or reduced cost base of the new membership interests should be worked out the following way:

1. Add the roll-over costs and adjustable values of the roll-over assets together.
2. Subtract the liabilities the transferee assumes for the assets.
3. Divide the number by the new membership interests.

An integrity rule is included to ensure that a capital loss on any direct or indirect membership interest in the transferor or transferee that is made after the roll-over will be disregarded.

Commissioner's remedial power modification

From 8 May 2018, a Commissioner's remedial power instrument ensures no direct income tax consequences from the transfer of depreciating assets undertaken as part of a transaction that otherwise qualifies for small business restructure roll-over relief.

- For more information and examples on this determination, see:
- **Commissioner's remedial power CRP 2017/2** *Taxation Administration (Remedial Power - Small Business Restructure Roll-over) Determination 2017*

- **Law Companion Ruling LCR 2016/2** *Small Business Restructure Roll-over: consequences of a roll-over*

QC 48586

Digital games tax offset

Check if you can claim the digital games tax offset (DGTO) for costs incurred in developing digital games in Australia.

Last updated 25 November 2025

About the offset

The digital games tax offset (DGTO) is a refundable tax offset which allows eligible companies that develop digital games in Australia to claim 30% of their total qualifying Australian development expenditure (QADE):

- as certified by the Minister for the Arts
- incurred on or after 1 July 2022
- up to a cap of $20 million per company, per income year (this cap also extends to a group of companies that are connected or affiliated).

Law introducing the DGTO received royal assent on Friday, 23 June 2023. This has been added as Division 378 to the *Income Tax Assessment Act 1997* (ITAA 1997).

For more information, see the Office for the Arts website.

Eligibility

To be eligible to claim the DGTO in an income year you must:

- be an Australian resident company with an Australian business number (ABN), or a foreign resident company that has a permanent establishment in Australia with an ABN

- obtain one or more certificates from the Minister for the Arts stating your eligibility for the DGTO and total QADE for the income year
- claim the offset in your company tax return for the income year.

Certificate from the Minister for the Arts

A company (or the head company of a consolidated group) may apply for a certificate from the Minister for the Arts for a:

- completion certificate – for development of a new game
- porting certificate – for a game ported to a new platform
- ongoing development certificate – for ongoing development of an existing game.

To apply for the certificate and to find out more about the eligibility criteria, go to the Office for the Arts website.

Consolidated groups and connected or affiliated companies

If you undertake the development of the game as a member of a consolidated group, or a multiple entry consolidated (MEC) group, the head company of the group may:

- apply for the certificate or certificates from the Minister for the Arts
- claim the DGTO in its tax return.

The annual $20 million cap applies to the offset for a single company and to the total amount of offset to which a group of connected or affiliated companies, or consolidated groups, would be entitled to.

When to claim the offset

If you meet the eligibility requirements to claim the DGTO, you should claim the offset when you lodge your tax return.

If you are waiting for a Certificate from the Minister for the Arts for an income year, you should lodge a request to defer lodgment of your tax return until you receive your certificate.

You should **contact us** if you have lodged a tax return for the relevant income year, but have either:

- not claimed the DGTO
- claimed the incorrect amount of DGTO.

Do not submit a claim for the DGTO as part of a request to amend your assessment without contacting us.

How to claim the offset

Once you have obtained a certificate from the Minister for the Arts, you can claim the DGTO in your **company tax return** on the calculation statement at label **E** – **Refundable tax offsets**.

The claim amount must also be reported at the relevant DGTO label within the *Information Statement* section of the company tax return. The amount of the refundable tax offset you can claim for an income year is 30% of the sum of QADE specified in certificates issued to you for the relevant income year (subject to the $20 million cap across connected or affiliated companies).

Note: Consider the **company tax return** instructions to determine what information needs to be filled out when claiming the DGTO.

Claiming the DGTO across connected or affiliated companies

You should ensure that if you have any connected or affiliated companies, the sum of all the DGTO amounts being claimed does not exceed $20 million in an income year.

If the total DGTO claimed by you and your connected or affiliated companies exceeds $20 million in an income year, the offset reduces to nil for all connected or affiliated companies.

If the $20 million cap in an income year is breached because of an inadvertent error made in determining whether another company is a connected or affiliated company, you should **contact us** as you may be able to lodge an amendment to vary the DGTO claim.

What to do if your certificate is revoked

Certificates issued by the Minister for the Arts can be revoked.

If this happens you will need to repay any amount of DGTO your company has received regarding that certificate.

Situations where the Minister for the Arts can revoke the certificate include:

- where the issue of the certificate was based on inaccurate information
- fraud or serious misrepresentation
- where the total of the company's QADE on the game is less than $500,000 in the relevant income year.

A decision made by the Minister for the Arts to revoke a certificate previously issued, or a decision to refuse an application for a certificate, are reviewable in the Administrative Review Tribunal (ART).

QC 72948

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.

Copyright notice

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth

endorses you or any of your services or products).