

# ***LCR 2019/5A1 - Addendum - Base rate entities and base rate entity passive income***

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# Addendum

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## Law Companion Ruling

### Base rate entities and base rate entity passive income

This Addendum is a public ruling for the purposes of the *Taxation Administration Act 1953*. It amends Law Companion Ruling LCR 2019/5 to clarify the correct income year that must be used when calculating aggregated turnover for an entity to be a base rate entity.

LCR 2019/5 is amended as follows:

#### 1. Paragraph 6

(a) Omit paragraph (including footnotes 4 and 5, but retaining footnotes 1, 2 and 3); substitute:

6. Under the new law, a corporate tax entity will be taxed at the lower corporate tax rate if it is a base rate entity. A corporate tax entity will be a base rate entity for an income year if:

- no more than 80% of its assessable income for that year is BREPI<sup>1</sup>, and
- its aggregated turnover<sup>2</sup> for that income year, worked out as at the end of that year, is less than the aggregated turnover threshold for the year (that is, \$25 million for the 2017–18 income year and \$50 million for the 2018–19 and subsequent income years).<sup>3</sup>

6A. It is important to note that aggregated turnover is calculated for the income year in which base rate entity status is being determined, and is worked out as at the end of that year. This means that aggregated turnover for any earlier income year is irrelevant for determining base rate entity status. The corporate entity's aggregated turnover is the sum of its ordinary income, and the ordinary income of any connected entities<sup>5A</sup> or affiliates<sup>5B</sup>, derived in the ordinary course of carrying on a business.

(b) After the word 'entities' in paragraph 6A, insert new footnote 5A:

<sup>5A</sup> As defined in section 328-125 of the ITAA 1997.

(c) After the word 'affiliates' in paragraph 6A, insert new footnote 5B:

<sup>5B</sup> As defined in section 328-130 of the ITAA 1997.

This Addendum applies on and from 20 October 2021.

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**Commissioner of Taxation**  
20 October 2021

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ATO references

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