Tax Laws Amendment (Small Business) Act 2007

No. 80, 2007

An Act to amend the law relating to taxation, and for related purposes

Note: An electronic version of this Act is available in ComLaw (http://www.comlaw.gov.au/)

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Tax Laws Amendment (Small Business) Act 2007

No. 80, 2007

An Act to amend the law relating to taxation, and for related purposes

[*Assented to 21 June 2007*]

The Parliament of Australia enacts:

1 Short title

This Act may be cited as the *Tax Laws Amendment (Small Business) Act 2007*.

2 Commencement

This Act commences on the day on which it receives the Royal Assent.

3 Schedule(s)

Each Act that is specified in a Schedule to this Act is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this Act has effect according to its terms.

Schedule 1—Small business entities

Income Tax Assessment Act 1997

1 After Subdivision 328-B

Insert:

Subdivision 328-C—What is a small business entity

Guide to Subdivision 328-C

328-105 What this Subdivision is about

This Subdivision explains the meaning of the terms ***small business entity***, ***annual turnover***, ***aggregated turnover*** and related concepts.

Table of sections

Operative provisions

328-110 Meaning of ***small business entity***
328-115 Meaning of ***aggregated turnover***
328-120 Meaning of ***annual turnover***
328-125 Meaning of ***connected with*** an entity
328-130 Meaning of ***affiliate***

Operative provisions

328-110 Meaning of *small business entity*

General rule: based on aggregated turnover worked out as at the beginning of the current income year

(1) You are a ***small business entity*** for an income year (the ***current year***) if:

(a) you carry on a *business in the current year; and

(b) one or both of the following applies:

(i) you carried on a business in the income year (the ***previous year***) before the current year and your *aggregated turnover for the previous year was less than $2 million;

(ii) your aggregated turnover for the current year is likely to be less than $2 million.

Note: Section 328-110 of the *Income Tax (Transitional Provisions) Act 1997* affects the operation of this subsection in relation to the 2007-08 and 2008-09 income years.

(2) You work out your *aggregated turnover for the current year for the purposes of subparagraph (1)(b)(ii):

(a) as at the first day of the current year; or

(b) if you start to carry on a *business during the current year—as at the day you start to carry on the business.

Note: Subsection 328-120(5) provides for how to work out your annual turnover (which is relevant to working out your aggregated turnover) if you do not carry on a business for the whole of an income year.

Exception: aggregated turnover for 2 previous income years was $2 million or more

(3) However, you are not a ***small business entity*** for an income year (the ***current year***) because of subparagraph (1)(b)(ii) if:

(a) you carried on a *business in each of the 2 income years before the current year; and

(b) your *aggregated turnover for each of those income years was $2 million or more.

Note: Section 328-110 of the *Income Tax (Transitional Provisions) Act 1997* affects the operation of this subsection in relation to the 2007-08 and 2008-09 income years.

Additional rule: based on aggregated turnover worked out as at the end of the current income year

(4) You are also a ***small business entity*** for an income year (the ***current year***) if:

(a) you carry on a *business in the current year; and

(b) your *aggregated turnover for the current year, worked out as at the end of that year, is less than $2 million.

Note: If you are a small business entity only because of subsection (4), you cannot choose any of the following concessions:

(a) paying PAYG instalments based on GDP-adjusted notional tax: see section 45-130 of Schedule 1 to the *Taxation Administration Act 1953*;

(b) accounting for GST on a cash basis: see section 29-40 of the GST Act;

(c) making an annual apportionment of input tax credits for acquisitions and importations that are partly creditable: see section 131-5 of the GST Act;

(d) paying GST by quarterly instalments: see section 162-5 of the GST Act.

Winding up a business previously carried on

(5) This Subdivision applies to you as if you carried on a *business in an income year if:

(a) in that year you were winding up a business you previously carried on; and

(b) you were a *small business entity for the income year in which you stopped carrying on that business.

Note 1: Subsection 328-120(5) provides for how to work out your annual turnover (which is relevant to working out your aggregated turnover) if you do not carry on a business for the whole of an income year.

Note 2: A special rule applies if you were an STS taxpayer under this Division (as in force immediately before the commencement of this section) in the income year in which you stopped carrying on the business: see section 328-111 of the *Income Tax (Transitional Provisions) Act 1997*.

328-115 Meaning of *aggregated turnover*

(1) Your ***aggregated turnover*** for an income year is the sum of the relevant annual turnovers (see subsection (2)) excluding any amounts covered by subsection (3).

(2) The ***relevant annual turnovers*** are:

(a) your *annual turnover for the income year; and

(b) the annual turnover for the income year of any entity (a ***relevant entity***) that is *connected with you at any time during the income year; and

(c) the annual turnover for the income year of any entity (a ***relevant entity***) that is an *affiliate of yours at any time during the income year.

(3) Your ***aggregated turnover*** for an income year does not include the following amounts:

(a) amounts *derived in the income year by you or a relevant entity from dealings between you and the relevant entity while the relevant entity is *connected with you or is your *affiliate;

(b) amounts derived in the income year by a relevant entity from dealings between the relevant entity and another relevant entity while each relevant entity is connected with you or is your affiliate;

(c) amounts derived in the income year by a relevant entity while the relevant entity is not connected with you and is not your affiliate.

328-120 Meaning of *annual turnover*

General rule

(1) An entity's ***annual turnover*** for an income year is the total *ordinary income that the entity *derives in the income year in the ordinary course of carrying on a *business.

Exclusion of amounts relating to GST

(2) In working out an entity's *annual turnover for an income year, do not include any amount that is *non-assessable non-exempt income under section 17-5 (which is about GST).

Exclusion of amounts derived from sales of retail fuel

(3) In working out an entity's *annual turnover for an income year, do not include any amounts of *ordinary income the entity *derives from sales of *retail fuel.

Amounts derived from dealings with associates

(4) In working out an entity's *annual turnover for an income year, the amount of *ordinary income the entity *derives from any dealing with an *associate of the entity is the amount of ordinary income the entity would derive from the dealing if it were at *arm's length.

Note: Amounts derived in an income year from any dealings between an entity and an associate that is a relevant entity within the meaning of

section 328-115 are not included in the entity's aggregated turnover for that year: see subsection 328-115(3).

Business carried on for part of income year only

(5) If an entity does not carry on a *business for the whole of an income year, the entity's *annual turnover for the income year must be worked out using a reasonable estimate of what the entity's annual turnover for the income year would be if the entity carried on a business for the whole of the income year.

Regulations may provide for different calculation of annual turnover

(6) The regulations may provide that an entity's *annual turnover for an income year is to be calculated in a different way, but only so that it would be less than the amount worked out under this section.

328-125 Meaning of *connected with* an entity

(1) An entity is ***connected with*** another entity if:
  (a) either entity controls the other entity in a way described in this section; or
  (b) both entities are controlled in a way described in this section by the same third entity.

Direct control of an entity other than a discretionary trust

(2) An entity (the ***first entity***) controls another entity if the first entity, its *affiliates, or the first entity together with its affiliates:
  (a) except if the other entity is a discretionary trust—beneficially own, or have the right to acquire the beneficial ownership of, interests in the other entity that carry between them the right to receive a percentage (the ***control percentage***) that is at least 40% of:
    (i) any distribution of income by the other entity; or
    (ii) if the other entity is a partnership—the net income of the partnership; or
    (iii) any distribution of capital by the other entity; or
  (b) if the other entity is a company—beneficially own, or have the right to acquire the beneficial ownership of, *equity interests in the company that carry between them the right to

exercise, or control the exercise of, a percentage (the ***control percentage***) that is at least 40% of the voting power in the company.

Direct control of a discretionary trust

(3) An entity (the ***first entity***) controls a discretionary trust if a trustee of the trust acts, or could reasonably be expected to act, in accordance with the directions or wishes of the first entity, its *affiliates, or the first entity together with its affiliates.

(4) An entity (the ***first entity***) controls a discretionary trust for an income year if, for any of the 4 income years before that year:

(a) the trustee of the trust paid to, or applied for the benefit of:

(i) the first entity; or

(ii) any of the first entity's *affiliates; or

(iii) the first entity and any of its affiliates;

any of the income or capital of the trust; and

(b) the percentage (the ***control percentage***) of the income or capital paid or applied is at least 40% of the total amount of income or capital paid or applied by the trustee for that year.

Note: Section 328-112 of the *Income Tax (Transitional Provisions) Act 1997* affects the operation of this subsection in relation to the 2007-08, 2008-09, 2009-10 and 2010-11 income years.

(5) An entity does not control a discretionary trust because of subsection (4) if the entity is:

(a) an *exempt entity; or

(b) a *deductible gift recipient.

Commissioner may determine that an entity does not control another entity

(6) If the control percentage referred to in subsection (2) or (4) is at least 40%, but less than 50%, the Commissioner may determine that the first entity does not control the other entity if the Commissioner thinks that the other entity is controlled by an entity other than, or by entities that do not include, the first entity or any of its *affiliates.

Indirect control of an entity

(7) This section applies to an entity (the ***first entity***) that directly controls another entity (the ***second entity***) as if the first entity also controlled any other entity that is directly, or indirectly by any other application or applications of this section, controlled by the second entity.

(8) However, subsection (7) does not apply if the second entity is an entity of any of the following kinds:

(a) a company *shares in which (except shares that carry the right to a fixed rate of *dividend) are listed for quotation in the official list of an *approved stock exchange;

(b) a *publicly traded unit trust;

(c) a *mutual insurance company;

(d) a *mutual affiliate company;

(e) a company (other than one covered by paragraph (a)) all the shares in which are beneficially owned by one or more of the following:

(i) a company covered by paragraph (a);

(ii) a publicly traded unit trust;

(iii) a mutual insurance company;

(iv) a mutual affiliate company.

328-130 Meaning of *affiliate*

(1) An individual or a company is an ***affiliate*** of yours if the individual or company acts, or could reasonably be expected to act, in accordance with your directions or wishes, or in concert with you, in relation to the affairs of the *business of the individual or company.

(2) However, an individual or a company is not your ***affiliate*** merely because of the nature of the business relationship you and the individual or company share.

Example: A partner in a partnership would not be an affiliate of another partner merely because the first partner acts, or could reasonably be expected to act, in accordance with the directions or wishes of the second partner, or in concert with the second partner, in relation to the affairs of the partnership.

Directors of the same company and trustees of the same trust, or the company and a director of that company, would be in a similar position.

2 Subsection 995-1(1)

Insert:

affiliate has the meaning given by section 328-130.

3 Subsection 995-1(1)

Insert:

aggregated turnover has the meaning given by section 328-115.

4 Subsection 995-1(1)

Insert:

annual turnover has the meaning given by section 328-120.

5 Subsection 995-1(1) (definition of *connected with*)

Repeal the definition, substitute:

connected with: an entity is ***connected with*** you in the circumstances described in section 328-125.

Note: This meaning is affected by section 152-42.

6 Subsection 995-1(1)

Insert:

retail fuel means taxable fuel, within the meaning of the *Fuel Tax Act 2006*, that is sold by retail.

7 Subsection 995-1(1)

Insert:

small business entity has the meaning given by section 328-110.

8 Application

The amendments made by this Schedule apply in relation to the 2007-08 income year and later income years.

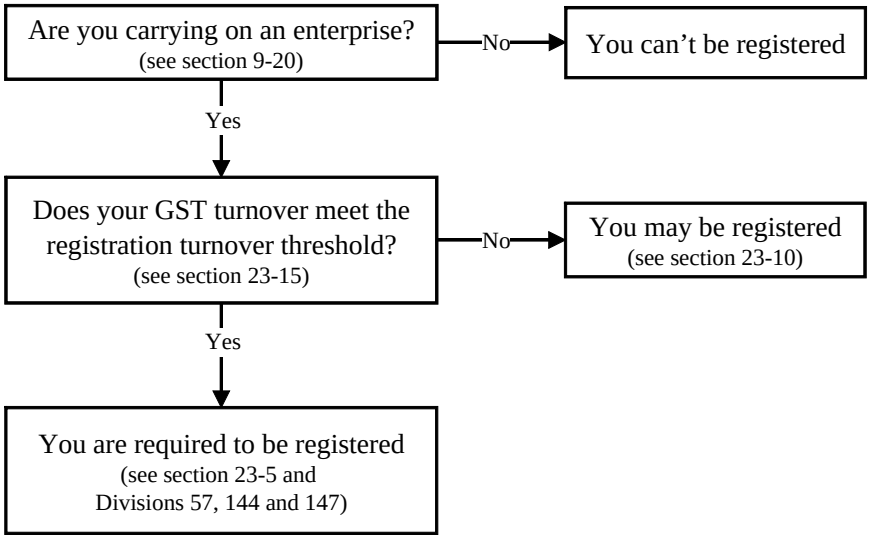
Schedule 2—Amendments relating to GST turnover thresholds

Part 1—Main amendments

A New Tax System (Goods and Services Tax) Act 1999

1 Section 23-1 (diagram)

Repeal the diagram, substitute:



2 Paragraph 23-5(b)

Omit "*annual turnover", substitute "*GST turnover".

3 Subsection 23-10(1)

Omit "your turnover", substitute "your *GST turnover".

4 Paragraph 27-15(1)(a)

Omit "*annual turnover", substitute "*GST turnover".

5 Subsection 27-20(1)

Omit "*annual turnover", substitute "*GST turnover".

6 Subsection 27-22(1)

Omit "*annual turnover", substitute "*GST turnover".

7 Paragraph 27-37(1)(a)

Omit "*annual turnover", substitute "*GST turnover".

8 Subsection 29-40(1)

Omit "If", substitute "You may choose to *account on a cash basis, with effect from the first day of the tax period that you choose, if".

9 Paragraph 29-40(1)(a)

Repeal the paragraph, substitute:

(a) you are a *small business entity (other than because of subsection 328-110(4) of the *ITAA 1997) for the *income year in which you make your choice; or

(ab) you do not carry on a *business and your *GST turnover does not exceed the *cash accounting turnover threshold; or

10 Paragraph 29-40(1)(c)

Omit "this section;", substitute "this section.".

11 Subsection 29-40(1)

Omit "you may choose to account on a cash basis, with effect from the first day of the tax period that you choose.".

12 Paragraph 29-40(3)(a)

Repeal the paragraph, substitute:

(a) $2 million; or

13 Paragraph 29-50(1)(a)

Repeal the paragraph, substitute:

(a) in a case to which paragraph 29-40(1)(a) applied—you are not a *small business entity of the kind referred to in that paragraph for an *income year and you do not have permission to *account on a cash basis; or

(ab) in a case to which paragraph 29-40(1)(ab) applied—you do not satisfy the requirements of that paragraph and you do not have permission to account on a cash basis; or

14 Subsection 29-50(2)

Repeal the subsection, substitute:

(2) The date of effect of your cessation is the first day of the next tax period to commence after:

(a) if paragraph (1)(a) applies—the start of the *income year referred to in that paragraph; or

(b) if paragraph (1)(ab) applies—you do not satisfy the requirements of paragraph 29-40(1)(ab); or

(c) if paragraph (1)(b) applies—you notify the Commissioner.

15 Paragraph 29-50(3)(a)

Repeal the paragraph, substitute:

(a) either:

(i) you carry on a *business but you are not a *small business entity (other than because of subsection 328-110(4) of the *ITAA 1997) for an *income year; or

(ii) you do not carry on a business and your *GST turnover meets the *cash accounting turnover threshold; and

16 Subsection 31-25(2)

Omit "*annual turnover", substitute "*GST turnover".

17 Subsection 33-10(2)

Omit "*annual turnover", substitute "*GST turnover".

18 Subsection 57-35(1)

Omit "*annual turnover", substitute "*GST turnover".

19 Subsection 83-25(1)

Omit "*annual turnover", substitute "*GST turnover".

20 Subsection 83-30(1)

Omit "*annual turnover", substitute "*GST turnover".

21 Subsection 84-5(2)

Omit "*annual turnover", substitute "*GST turnover".

22 Paragraph 131-5(1)(a)

Repeal the paragraph, substitute:

(a) either:

(i) you are a *small business entity (other than because of subsection 328-110(4) of the *ITAA 1997) for the *income year in which you make your election; or

(ii) you do not carry on a *business and your *GST turnover does not exceed the *annual apportionment turnover threshold; and

23 Paragraph 131-20(1)(c)

Repeal the paragraph, substitute:

(c) in a case to which subparagraph 131-5(1)(a)(i) applied—you are not a *small business entity of the kind referred to in that subparagraph for an *income year; or

(d) in a case to which subparagraph 131-5(1)(a)(ii) applied—on 31 July in a *financial year, you do not satisfy the requirements of that subparagraph.

24 Subsection 131-20(5) (heading)

Repeal the heading, substitute:

Not being a small business entity for an income year

25 Subsection 131-20(5)

Omit "31 July in the *financial year", substitute "the first day of the *income year".

26 At the end of section 131-20

Add:

Failing to satisfy the requirements of subparagraph 131-5(1)(a)(ii)

(6) If paragraph (1)(d) applies, your election is taken to have ceased to have effect from the start of the tax period in which 31 July in the *financial year referred to in that paragraph falls.

27 Paragraph 144-5(2)(a)

Omit "*annual turnover", substitute "*GST turnover".

28 Paragraph 149-10(1)(b)

Omit "*annual turnover", substitute "*GST turnover".

29 Subsection 157-10(1)

Omit "Paragraph 29-50(1)(a)", substitute "Paragraphs 29-50(1)(a) and (ab)".

30 Paragraph 162-5(1)(a)

Repeal the paragraph, substitute:

(a) either:

(i) you are a *small business entity (other than because of subsection 328-110(4) of the *ITAA 1997) for the *income year in which you make your election; or

(ii) you do not carry on a *business and your *GST turnover does not exceed the *instalment turnover threshold; and

31 Paragraph 162-30(1)(c)

Repeal the paragraph, substitute:

(c) in a case to which subparagraph 162-5(1)(a)(i) applied—you are not a *small business entity of the kind referred to in that subparagraph for an *income year; or

(ca) in a case to which subparagraph 162-5(1)(a)(ii) applied—on 31 July in a *financial year, you do not satisfy the requirements of that subparagraph; or

32 Subsection 162-30(5) (heading)

Repeal the heading, substitute:

Not being a small business entity for an income year

33 Subsection 162-30(5)

Omit "the start of the *financial year", substitute "1 July in the *income year".

34 After subsection 162-30(5)

Insert:

Failing to satisfy the requirements of subparagraph 162-5(1)(a)(ii)

(5A) If paragraph (1)(ca) applies, your election is taken to have ceased to have effect from the start of the *financial year referred to in that paragraph.

35 Division 188 (heading)

Repeal the heading, substitute:

Division 188—Meaning of GST turnover

36 Section 188-1

Omit "annual turnover" (wherever occurring), substitute "GST turnover".

37 Section 188-5 (note 2)

Repeal the note, substitute:

Note 2: Items 3, 4A and 5 of the table apply to you only if you do not carry on a business.

Note 3: This section is an explanatory section.

38 Section 188-10 (heading)

Repeal the heading, substitute:

188-10 Whether your GST turnover meets, or does not exceed, a turnover threshold

39 Subsection 188-10(1)

Omit "an ***annual turnover***", substitute "a ***GST turnover***".

40 Paragraphs 188-10(1)(a) and (b)

Omit "annual turnover" (wherever occurring), substitute "GST turnover".

41 Subsection 188-10(2)

Omit "an ***annual turnover***", substitute "a ***GST turnover***".

42 Paragraphs 188-10(2)(a) and (b)

Omit “annual turnover” (wherever occurring), substitute “GST turnover”.

43 Section 188-15 (heading)

Repeal the heading, substitute:

188-15 Current GST turnover

44 Subsections 188-15(1), (2) and (3)

Omit “***current annual turnover***”, substitute “***current GST turnover***”.

45 Section 188-20 (heading)

Repeal the heading, substitute:

188-20 Projected GST turnover

46 Subsections 188-20(1), (2) and (3)

Omit “***projected annual turnover***”, substitute “***projected GST turnover***”.

47 Section 188-22

Omit “annual turnover” (wherever occurring), substitute “GST turnover”.

48 Section 188-23 (heading)

Repeal the heading, substitute:

188-23 Supplies “reverse charged” under Division 83 not to be included in a recipient’s GST turnover

49 Section 188-23

Omit “annual turnover” (wherever occurring), substitute “GST turnover”.

50 Subsections 188-24(1) and (2)

Omit “annual turnover” (wherever occurring), substitute “GST turnover”.

51 Section 188-25

Omit “annual turnover”, substitute “GST turnover”.

52 Subsection 188-40(1)

Omit “annual turnover” (wherever occurring), substitute “GST turnover”.

53 Section 195-1 (definition of *annual turnover*)

Repeal the definition.

54 Section 195-1 (definition of *current annual turnover*)

Repeal the definition.

55 Section 195-1

Insert:

current GST turnover has the meaning given by section 188-15.

Note: This meaning is affected by section 188-22.

56 Section 195-1

Insert:

GST turnover:

(a) in relation to meeting a *turnover threshold—has the meaning given by subsection 188-10(1); and

(b) in relation to not exceeding a *turnover threshold—has the meaning given by subsection 188-10(2).

57 Section 195-1 (definition of *projected annual turnover*)

Repeal the definition.

58 Section 195-1

Insert:

projected GST turnover has the meaning given by section 188-20.

Note: This meaning is affected by sections 188-22 and 188-25.

59 Section 195-1

Insert:

small business entity has the meaning given by subsection 995-1(1) of the *ITAA 1997.

60 Section 195-1 (definition of *turnover threshold*)

Repeal the definition, substitute:

turnover threshold has the meaning given by subsection 188-10(3).

Part 2—Consequential amendments

Income Tax Assessment Act 1997

61 Paragraph 974-75(6)(b)

Omit “annual turnover”, substitute “*GST turnover”.

62 Subsection 974-75(7)

Omit “annual turnover”, substitute “*GST turnover”.

63 Subsection 995-1(1) (definition of *current annual turnover*)

Repeal the definition.

64 Subsection 995-1(1)

Insert:

> ***current GST turnover*** has the meaning given by section 195-1 of the *GST Act.

65 Subsection 995-1(1)

Insert:

> ***GST turnover*** has the meaning given by section 195-1 of the *GST Act.

Taxation Administration Act 1953

66 Paragraphs 286-80(3)(c) and (4)(c) in Schedule 1

Omit “annual turnover”, substitute “GST turnover”.

Part 3—Application and transitional

67 Application

(1) The amendments made by Part 1 of this Schedule, and items 68, 69 and 70 of this Part, apply in relation to net amounts for tax periods starting on or after 1 July 2007.

(2) The amendments made by items 61, 62 and 65 of Part 2 of this Schedule apply in relation to the 2007-08 income year and later income years.

(3) The amendments made by items 63, 64 and 66 of Part 2 of this Schedule apply in relation to the year starting on 1 July 2007 and later years.

68 Transitional—choice to account on a cash basis

(1) This item applies to you if:

(a) before 1 July 2007, you chose to account on a cash basis under paragraph 29-40(1)(a) of the *A New Tax System (Goods and Services Tax) Act 1999*; and

(b) your choice was in effect immediately before 1 July 2007.

(2) If you are carrying on a business on 1 July 2007, your choice continues to have effect as if it had been made under paragraph 29-40(1)(a) of the *A New Tax System (Goods and Services Tax) Act 1999*, as inserted by Part 1 of this Schedule.

(3) If you are not carrying on a business on 1 July 2007, your choice continues to have effect as if it had been made under paragraph 29-40(1)(ab) of the *A New Tax System (Goods and Services Tax) Act 1999*, as inserted by Part 1 of this Schedule.

69 Transitional—election to have annual apportionment

(1) This item applies to you if:

(a) before 1 July 2007, you made an annual apportionment election under subsection 131-10(1) of the *A New Tax System (Goods and Services Tax) Act 1999*; and

(b) your election was in effect immediately before 1 July 2007.

(2) If you are carrying on a business on 1 July 2007, your election continues to have effect as if subparagraph 131-5(1)(a)(i) of the *A New Tax System (Goods and Services Tax) Act 1999*, as inserted by Part 1 of this Schedule, applied.

(3) If you are not carrying on a business on 1 July 2007, your election continues to have effect as if subparagraph 131-5(1)(a)(ii) of the *A New Tax System (Goods and Services Tax) Act 1999*, as inserted by Part 1 of this Schedule, applied.

70 Transitional—election to pay GST by instalments

(1) This item applies to you if:

(a) before 1 July 2007, you made an election to pay GST by instalments under subsection 162-15(1) of the *A New Tax System (Goods and Services Tax) Act 1999*; and

(b) your election was in effect immediately before 1 July 2007.

(2) If you are carrying on a business on 1 July 2007, your election continues to have effect as if subparagraph 162-5(1)(a)(i) of the *A New Tax System (Goods and Services Tax) Act 1999*, as inserted by Part 1 of this Schedule, applied.

(3) If you are not carrying on a business on 1 July 2007, your election continues to have effect as if subparagraph 162-5(1)(a)(ii) of the *A New Tax System (Goods and Services Tax) Act 1999*, as inserted by Part 1 of this Schedule, applied.

Schedule 3—STS taxpayers

Part 1—Main amendments

Income Tax Assessment Act 1997

1 Division 328 (heading)

Repeal the heading, substitute:

Division 328—Small business entities

2 Subdivision 328-A

Repeal the Subdivision, substitute:

Guide to Division 328

328-5 What this Division is about

This Division explains the meaning of the terms ***small business entity***, ***annual turnover***, ***aggregated turnover*** and related concepts (Subdivision 328-C).

If you are a small business entity, this Division allows you to change the way the income tax law applies to you in these ways:

(a) you can choose to put your depreciating assets into a long life pool or a general pool and treat each pool as a single asset (Subdivision 328-D);

(b) you can choose not to account for annual changes in trading stock value that are not more than $5,000 (Subdivision 328-E).

In usual circumstances, these changes will simplify the working out of your taxable income, and so reduce your compliance costs.

Table of sections

328-10 Concessions available to small business entities

328-10 Concessions available to small business entities

(1) If you are a small business entity for an income year, you can choose to take advantage of the concessions set out in the following table. Some of the concessions have additional, specific conditions that must also be satisfied.

Item	Concession	Provision
1	CGT 15-year asset exemption	Subdivision 152-B of this Act
2	CGT 50% active asset reduction	Subdivision 152-C of this Act
3	CGT retirement exemption	Subdivision 152-D of this Act
4	CGT roll-over	Subdivision 152-E of this Act
5	Simpler depreciation rules	Subdivision 328-D of this Act
6	Simplified trading stock rules	Subdivision 328-E of this Act
7	Deducting certain prepaid business expenses immediately	Sections 82KZM and 82KZMD of the *Income Tax Assessment Act 1936*
8	Accounting for GST on a cash basis	Section 29-40 of the GST Act
9	Annual apportionment of input tax credits for acquisitions and importations that are partly creditable	Section 131-5 of the GST Act
10	Paying GST by quarterly instalments	Section 162-5 of the GST Act
11	FBT car parking exemption	Section 58GA of the *Fringe Benefits Tax Assessment Act 1986*
12	PAYG instalments based on GDP-adjusted notional tax	Section 45-130 of Schedule 1 to the *Taxation Administration Act 1953*

(2) Also, if you are a small business entity for an income year, the standard 2-year period for amending your assessment applies to you (section 170 of the *Income Tax Assessment Act 1936*).

Note: If you are a small business entity for an income year and your aggregated turnover for the year is less than $75,000, you may also be entitled to the 25% entrepreneurs' tax offset: see Subdivision 61-J of this Act.

3 Subdivision 328-D (heading)

Repeal the heading, substitute:

Subdivision 328-D—Capital allowances for small business entities

4 Section 328-170

Omit "STS taxpayers deduct amounts for most of their depreciating assets", substitute "If you are a small business entity, you can choose to deduct amounts for most of your depreciating assets".

5 Section 328-170 (paragraph (b))

Repeal the paragraph, substitute:

(b) not choosing to use this Subdivision for an income year after having chosen to do so for an earlier income year; and

6 Subsection 328-175(1)

Repeal the subsection, substitute:

(1) You can choose to calculate your deductions and some amounts of assessable income under this Subdivision instead of under Division 40 for an income year for all the *depreciating assets that you *hold if:

(a) you are a *small business entity for the income year; and

(b) you started to use the assets or have them *installed ready for use, for a *taxable purpose during or before that income year.

This subsection has effect subject to subsections (2) to (10).

Note: If you choose to use this Subdivision for an income year, you continue to use this Subdivision for your small business pools for a later income year even if you are not a small business entity, or do not choose to use this Subdivision, for the later year: see section 328-220.

7 Subsection 328-175(3)

Omit “an *STS taxpayer”, substitute “a *small business entity”.

8 Subsection 328-175(3) (note)

Omit “40-340(3)”, substitute “40-340(1) or (3)”.

9 Subsection 328-175(4)

Omit “that choice for each *depreciating asset of that kind”, substitute “the choice under subsection (3) for each *depreciating asset of the kind referred to in that subsection”.

10 Paragraph 328-175(4)(a)

Omit “became, an *STS taxpayer”, substitute “were, a *small business entity”.

11 Paragraph 328-175(7)(a)

Omit “before you became an *STS taxpayer”, substitute “during an income year for which you were not a *small business entity or had not chosen to use this Subdivision”.

12 At the end of section 328-175

Add:

Exception: restriction on choosing to use this Subdivision

(10) If:

(a) you choose to use this Subdivision to deduct amounts for your *depreciating assets for an income year; and

(b) you do not choose to use this Subdivision for a later income year for which you satisfy the conditions to make this choice (see subsection (1));

you cannot choose to use this Subdivision until at least 5 years after the first later income year for which you satisfied the conditions to make this choice but did not do so.

Note 1: Your ability to choose to use this Subdivision may also be restricted by section 328-440 of the *Income Tax (Transitional Provisions) Act 1997*.

Note 2: If you choose to use this Subdivision for an income year, you continue to use it for assets that have been allocated to your small business pools for a later income year even if you are not a small business entity, or do not choose to use this Subdivision, for the later year: see section 328-220.

13 Paragraph 328-180(1)(a)

Omit "an *STS taxpayer", substitute "a *small business entity".

14 After paragraph 328-180(1)(a)

Insert:

(ab) you chose to use this Subdivision for each of those years; and

15 Subsection 328-180(2)

Omit "for an income year for which you are an *STS taxpayer", substitute ", for an income year for which you are a *small business entity and you choose to use this Subdivision,".

16 Subsection 328-180(3)

Omit "STS pool", substitute "small business pool".

17 Subsection 328-180(5)

Omit "when you are not an *STS taxpayer", substitute "during an income year for which you are not a *small business entity or do not choose to use this Subdivision".

18 Subsection 328-185(1)

Omit "As an *STS taxpayer", substitute "If you are a *small business entity for an income year and you have chosen to use this Subdivision for that year".

19 Paragraph 328-185(2)(a)

Omit "***general STS pool***", substitute "***general small business pool***".

20 Paragraph 328-185(2)(b)

Omit "***long life STS pool***", substitute "***long life small business pool***".

21 Paragraph 328-185(3)(a)

Omit "became, an *STS taxpayer", substitute "were, a *small business entity".

22 Subsection 328-185(3)

Omit "STS pool" (wherever occurring), substitute "small business pool".

23 Subsection 328-185(4)

Omit "while you are an *STS taxpayer", substitute "for which you are a *small business entity and you choose to use this Subdivision".

24 Subsection 328-185(5)

Omit "STS", substitute "small business".

25 Subsection 328-185(6)

Omit "an *STS taxpayer", substitute "a *small business entity and you choose to use this Subdivision".

26 Subsection 328-185(7)

Omit "STS pool" (wherever occurring), substitute "small business pool".

27 Subsection 328-185(7)

Omit "even if you stop being an *STS taxpayer and again become one", substitute "even if you are not a *small business entity for a later income year or you do not choose to use this Subdivision for that later year".

28 Subsection 328-185(7) (note)

Repeal the note, substitute:

Note: If you chose to use this Subdivision for an income year, you continue to use it for your small business pools for a later income year even if you are not a small business entity, or do not choose to use this Subdivision, for the later year: see section 328-220.

29 Subsection 328-185(7) (example)

Repeal the example, substitute:

Example: Greg is not a small business entity for the 2008-09 income year. At that time his long life small business pool contains one depreciating asset with an effective life of 26 years. Greg still holds that asset in the 2010-11 income year. Greg is a small business entity for that income year and chooses to use this Subdivision. The asset has remained in the pool since the end of the 2008-09 income year. The asset is not re-allocated when he recommences deducting amounts for depreciating assets under this Subdivision, even though its remaining effective life is now 24 years.

30 Subsection 328-190(1)

Omit "STS" (wherever occurring), substitute "small business".

31 Subsection 328-190(2)

Omit "while you are an *STS taxpayer", substitute "for which you are a *small business entity and choose to use this Subdivision".

32 Subsection 328-190(3)

Omit "an *STS taxpayer", substitute "a *small business entity and choose to use this Subdivision".

33 Subsection 328-190(4) (note)

Omit all the words after "relief", substitute "under section 40-340 is chosen: see sections 328-243 and 328-247.".

34 Subsection 328-195(1)

Omit "you are an *STS taxpayer", substitute "you are a *small business entity and choose to use this Subdivision".

35 Subsection 328-195(2) (note)

Repeal the note, substitute:

Note: You continue to deduct amounts using your small business pools even if you are not a small business entity, or do not choose to use this Subdivision, for a later income year: see section 328-220.

36 Subsection 328-195(3)

Repeal the subsection, substitute:

(3) However, if:

(a) you are not a *small business entity for an income year or you do not choose to use this Subdivision for that year; but

(b) you are a small business entity for a later income year and you choose to use this Subdivision for the later year;

the ***opening pool balance*** of a pool includes the sum of the *taxable purpose proportions of the *adjustable values of *depreciating assets allocated to the pool under subsection 328-185(3) for that year.

37 Section 328-200 (note)

Omit all the words after "relief", substitute "under section 40-340 is chosen: see sections 328-243 and 328-245.".

38 Subsection 328-205(1)

Omit “became, an *STS taxpayer”, substitute “were, a *small business entity”.

39 Paragraph 328-205(1)(a)

Omit “STS pool” (wherever occurring), substitute “small business pool”.

40 Paragraph 328-205(1)(c)

Before “calculate”, insert “have chosen to”.

41 Subsection 328-205(1) (note 3)

Omit all the words after “relief”, substitute “under section 40-340 is chosen: see sections 328-243 and 328-257.”.

42 Subsection 328-205(2)

Omit “while you are an *STS taxpayer”, substitute “during an income year for which you are a *small business entity and you choose to use this Subdivision”.

43 Paragraph 328-205(4)(b)

Omit “STS pool”, substitute “small business pool”.

44 Paragraph 328-205(4)(c)

Omit “STS pool”, substitute “small business pool”.

45 Subsection 328-205(4) (example)

Repeal the example, substitute:

Example: When Bria’s van was allocated to her general small business pool for the 2007-08 income year, she estimated that it would be used 50% for deliveries in her florist business. Due to increasing deliveries, Bria estimates the van’s business use to be 70% for the 2008-09 year, and 90% for the 2009-10 year. She makes an adjustment under section 328-225 for both those years.

Bria sells the van for $3,000 at the start of the 2011-12 income year. She must now average the business use estimates for the van for the year it was allocated to the pool and the next 3 years to work out the taxable purpose proportion of its termination value. The average is worked out as follows:

- 50% (original estimate); plus
- 70% (2008-09 estimate); plus
- 90% (2009-10 estimate); plus

- 90% (no change on previous year);

$= 300\% \div 4 = 75\%$

The taxable purpose proportion of the van's termination value is, therefore:

$75\% \text{ of } \$3{,}000 = \$2{,}250$

46 Subsection 328-210(1)

Omit "STS" (wherever occurring), substitute "small business".

47 Subsection 328-210(3) (example)

Omit "Amanda's Graphics, an STS taxpayer, has an opening pool balance of $1,200 for its general STS pool for the 2004-05 income year.", substitute "Amanda's Graphics is a small business entity for the 2008-09 income year and chooses to use this Subdivision for that year. The business has an opening pool balance of $1,200 for its general small business pool for that year.".

48 Section 328-220

Repeal the section, substitute:

328-220 What happens if you are not a small business entity or do not choose to use this Subdivision for an income year

(1) If you are not a *small business entity for an income year or you do not choose to use this Subdivision for that year, this Subdivision continues to apply to your *general small business pool and *long life small business pool for that year and later income years.

(2) However, *depreciating assets you started to use, or have *installed ready for use, for a *taxable purpose during an income year for which you are not a *small business entity or do not choose to use this Subdivision cannot be allocated to a pool under this Subdivision until an income year for which you are a small business entity and you choose to use this Subdivision.

(3) This section applies to a transferee referred to in subsection 328-243(1) or (1A) who:

(a) was not a *small business entity for the income year in which the relevant *balancing adjustment events occurred; or

(b) did not choose to use this Subdivision for that year;

as if the transferee had been a small business entity for an earlier income year and had chosen to use this Subdivision for the earlier year. This rule applies even if roll-over relief is not chosen.

49 Subsection 328-225(1) (note)

Omit all the words after "relief", substitute "under section 40-340 is chosen: see sections 328-243 and 328-257.".

50 Subsection 328-225(2)

Omit "STS" (wherever occurring), substitute "small business".

51 Subsection 328-225(3) (paragraph (a) of the definition of *asset value*)

Omit "while you were an *STS taxpayer", substitute "during an income year for which you were a *small business entity and chose to use this Subdivision".

52 Subsection 328-225(3) (paragraph (b) of the definition of *asset value*)

Omit "while you were not an *STS taxpayer", substitute "during an income year for which you were not a *small business entity or did not choose to use this Subdivision".

53 Subsection 328-225(3) (paragraph (b) of the definition of *asset value*)

Omit "STS pool" (wherever occurring), substitute "small business pool".

54 Paragraph 328-225(4)(a)

Omit "while you were an *STS taxpayer", substitute "during an income year for which you were a *small business entity and chose to use this Subdivision".

55 Paragraph 328-225(4)(b)

Omit “while you were not an *STS taxpayer”, substitute “during an income year for which you were not a *small business entity or did not choose to use this Subdivision”.

56 Subsection 328-225(4) (note)

Omit “general STS pool” (first occurring), substitute “general small business pool”.

57 Subsection 328-225(4) (note)

Omit “while you were not an STS taxpayer”, substitute “during an income year for which you were not a small business entity or did not choose to use this Subdivision”.

58 Subsection 328-225(4) (note)

Omit “general STS pool” (second occurring), substitute “general small business pool”.

59 Subsection 328-225(4) (note)

Omit “while you were an STS taxpayer”, substitute “during an income year for which you were a small business entity and chose to use this Subdivision”.

60 Subparagraphs 328-225(5)(a)(i) and (ii)

Omit “STS”, substitute “small business”.

61 Subsection 328-235(1)

Omit “as an *STS taxpayer”, substitute “if you are a *small business entity for an income year”.

62 Subsection 328-235(2)

Omit “chosen to be an *STS taxpayer”, substitute “been a *small business entity and chosen to use this Subdivision”.

63 Paragraph 328-243(2)(b)

Omit “STS” (wherever occurring), substitute “small business”.

64 Subsection 328-247(1)

Omit “STS” (wherever occurring), substitute “small business”.

65 Subsection 328-247(1) (example)

Omit “is an STS taxpayer”, substitute “is a small business entity for the relevant income year and has chosen to use this Subdivision for that year”.

66 Subsection 328-247(1) (example)

Omit “becomes an STS taxpayer for the income year”, substitute “is a small business entity for the income year and chooses to use this Subdivision for that year”.

67 Subsection 328-247(1) (example)

Omit “STS pool”, substitute “small business pool”.

68 Subsection 328-247(2)

Omit “STS” (wherever occurring), substitute “small business”.

69 Subsection 328-250(3) (example)

Omit “becomes an STS taxpayer for the BAE year”, substitute “is a small business entity for the BAE year, and chooses to use this Subdivision for that year”.

70 Paragraph 328-255(1)(a)

Omit “STS” (wherever occurring), substitute “small business”.

71 Subdivision 328-E (heading)

Repeal the heading, substitute:

Subdivision 328-E—Trading stock for small business entities

72 Section 328-280

Omit “STS taxpayers do not need to account”, substitute “Small business entities can choose not to account”.

73 Section 328-280

Omit “for STS taxpayers”, substitute “for small business entities”.

74 Section 328-285 (heading)

Repeal the heading, substitute:

328-285 Trading stock for small business entities

75 Subsection 328-285(1)

Omit "(1)".

76 Subsection 328-285(1)

Omit "You do not have to account", substitute "You can choose not to account".

77 Paragraph 328-285(1)(a)

Omit "an *STS taxpayer", substitute "a *small business entity".

78 At the end of subsection 328-285(1)

Add:

Note 3: If you choose to account for changes in the value of your trading stock for an income year, you will have to do a stocktake and account for the change in the value of all your trading stock: see Subdivision 70-C.

79 Subsection 328-285(2)

Repeal the subsection.

80 Section 328-290

Repeal the section.

81 Subsection 328-295(1)

Omit "are an *STS taxpayer", substitute "make a choice under section 328-285".

82 Subsection 328-295(2)

Omit "subsection 328-285(1) applies to you for an income year and you have not made a choice under subsection 328-285(2) for that year", substitute "you make a choice under section 328-285 for an income year".

83 Subsection 328-295(2) (note)

Omit "If subsection 328-285(1) does not apply", substitute "If you do not make a choice under section 328-285".

84 Subsection 328-295(2) (example)

Repeal the example, substitute:

Example: Angela operates a riding school, and also sells riding gear. Her business is a small business entity for the 2008-09 income year and makes a choice under section 328-285 for that year.

At the start of the 2008-09 income year, the opening value of Angela's trading stock is $30,000. Using her reliable inventory system, she estimates the closing value to be $34,000.

The closing value for the 2008-09 income year, and the opening value for the 2009-10 income year, will be $30,000.

85 Subdivision 328-F

Repeal the Subdivision.

86 Subdivision 328-G

Repeal the Subdivision.

87 Subsection 995-1(1) (paragraph (ac) of the definition of *capital allowance*)

Omit "STS taxpayers", substitute "small business entities".

88 Subsection 995-1(1) (paragraph (b) of the definition of *closing pool balance*)

Omit "STS" (wherever occurring), substitute "small business".

89 Subsection 995-1(1)

Insert:

general small business pool has the meaning given by section 328-185.

90 Subsection 995-1(1) (definition of *general STS pool*)

Repeal the definition.

91 Subsection 995-1(1)

Insert:

long life small business pool has the meaning given by section 328-185.

92 Subsection 995-1(1) (definition of *long life STS pool*)

Repeal the definition.

93 Subsection 995-1(1) (definition of *STS affiliate*)

Repeal the definition.

94 Subsection 995-1(1) (definition of *STS average turnover*)

Repeal the definition.

95 Subsection 995-1(1) (definition of *STS group turnover*)

Repeal the definition.

96 Subsection 995-1(1) (definition of *STS taxpayer*)

Repeal the definition.

Part 2—Consequential amendments

Income Tax Assessment Act 1936

97 Subsection 6(1)

Insert:

> ***small business entity*** has the meaning given by subsection 995-1(1) of the *Income Tax Assessment Act 1997*.

98 Paragraph 73BA(4)(a)

Omit "STS taxpayers", substitute "small business entities".

Note: The heading to subsection 73BA(4) is altered by omitting "*STS*" and substituting "*small business*".

99 Subsection 82KZL(1) (definition of *STS taxpayer*)

Repeal the definition.

100 Subparagraph 82KZM(1)(aa)(i)

Repeal the subparagraph, substitute:

(i) the taxpayer is a small business entity for the year of income and has not chosen to apply section 82KZMD to the expenditure;

Note: The heading to section 82KZM is altered by omitting "**STS taxpayer**" and substituting "**small business entities**".

101 Paragraph 82KZMA(2)(b)

Repeal the paragraph, substitute:

(b) if the taxpayer is a small business entity for the expenditure year—must, before lodging its return of income for that year or within such further time as the Commissioner allows, choose to apply section 82KZMD to the expenditure.

102 At the end of section 82KZMD

Add:

Note: This section does not apply to expenditure incurred by a small business entity unless the small business entity chooses to apply this section to the expenditure: see paragraph 82KZMA(2)(b).

Note: The heading to section 82KZMD is altered by omitting "**(except by an STS taxpayer)**".

103 Subsection 170(1) (table item 1, column headed "Qualification", paragraphs (a), (b) and (d))

Omit "an STS taxpayer", substitute "a small business entity".

104 Subsection 170(1) (table item 2, column headed "Time of amendment")

Omit "an STS taxpayer", substitute "a small business entity".

105 Subsection 170(1) (table item 2, column headed "Qualification", paragraphs (a) and (c))

Omit "an STS taxpayer", substitute "a small business entity".

106 Subsection 170(1) (table item 3, column headed "Time of amendment")

Omit "an STS taxpayer", substitute "a small business entity".

107 Subsection 170(1) (table item 3, column headed "Qualification", paragraphs (a) and (b))

Omit "an STS taxpayer", substitute "a small business entity".

108 Subsection 170(14) (definition of *STS taxpayer*)

Repeal the definition.

Income Tax Assessment Act 1997

109 Subsection 4-15(2) (table item 1A)

Repeal the item.

110 Section 13-1 (table item headed "entrepreneurs' tax offset")

Omit "*simplified tax system*", substitute "*small business entities*".

111 Section 13-1 (table item headed "partnerships")

Omit "*simplified tax system*", substitute "*small business entities*".

112 Section 13-1 (table item headed "simplified tax system")

Omit "**simplified tax system**", substitute "**small business entities**".

113 Section 13-1 (table item headed "trusts")

Omit "*simplified tax system*", substitute "*small business entities*".

114 Section 20-157 (heading)

Repeal the heading, substitute:

20-157 Exception for small business entities

115 Subsection 27-100(5) (heading)

Repeal the heading, substitute:

Small business pools

116 Subsection 40-25(1) (note 2)

Omit "STS taxpayers", substitute "Small business entities can choose to".

117 Subsection 40-340(3) (note 2)

Omit "STS taxpayers", substitute "small business entities that calculate deductions for their depreciating assets under that Subdivision".

118 Subsection 40-425(7) (heading)

Repeal the heading, substitute:

Exception: small business entities

119 Subsection 40-425(7)

Omit "STS taxpayers", substitute "small business entities".

120 Subsection 40-430(1) (note 2)

Repeal the note, substitute:

Note 2: If you are a small business entity for the income year and you calculate your deductions for your depreciating assets under Subdivision 328-D, you must deduct amounts for your depreciating assets under that Subdivision unless deductions for particular assets are specifically excluded by that Subdivision.

121 Section 61-500

Omit “business in the simplified tax system with annual group turnover”, substitute “small business entity with aggregated turnover”.

122 Section 61-500

Omit “the annual group turnover”, substitute “your aggregated turnover”.

123 Section 61-500

Omit “individual STS taxpayer running your own business”, substitute “individual running your own small business”.

124 Section 61-500

Omit “an STS taxpayer”, substitute “a small business entity”.

125 Paragraph 61-505(1)(b)

Omit “an *STS taxpayer”, substitute “a *small business entity”.

126 Paragraph 61-505(1)(c)

Omit “*STS group turnover”, substitute “*aggregated turnover”.

127 Paragraph 61-505(1)(d)

Omit “*net STS income”, substitute “*net small business income”.

128 Subsection 61-505(2) (method statement, steps 3, 4 and 5)

Repeal the steps, substitute:

Step 3. Work out the percentage (the ***small business percentage***) using the formula:

$$\frac{\text{Your *net small business income for the year}}{\text{Your taxable income for the year}} \times 100$$

If that percentage is more than 100%, the small business percentage is 100%.

Step 4. If your *aggregated turnover for the year is $50,000 or less, multiply the amount at step 2 by the small business percentage: the result is the amount of your *tax offset.

Step 5. If your *aggregated turnover for the year is more than $50,000, work out the fraction (the ***small business phase-out fraction***) using the formula:

$$\frac{\$75{,}000 - \text{Your *aggregated turnover for the year}}{\$25{,}000}$$

The amount of your *tax offset is worked out using the formula:

$$\text{Step 2 amount} \times \text{Small business percentage} \times \text{Small business phase-out fraction}$$

129 Subsection 61-505(2) (example)

Omit “an STS taxpayer”, substitute “a small business entity”.

130 Subsection 61-505(2) (example)

Omit “STS group turnover”, substitute “aggregated turnover”.

131 Subsection 61-505(2) (example)

Omit “net STS income”, substitute “net small business income”.

132 Subsection 61-505(2) (example)

Omit “STS percentage”, substitute “small business percentage”.

133 Paragraph 61-510(1)(b)

Omit “an *STS taxpayer”, substitute “a *small business entity”.

134 Paragraph 61-510(1)(c)

Omit “*STS group turnover”, substitute “*aggregated turnover”.

135 Paragraph 61-510(1)(d)

Omit “*net STS income”, substitute “*net small business income”.

136 Paragraph 61-510(1)(e)

Omit all the words after "a share", substitute "(***your net small business income share***) of that net small business income.".

137 Subsection 61-510(2) (method statement, steps 3, 4 and 5)

Repeal the steps, substitute:

Step 3. Work out the percentage (the ***small business percentage***) using the formula:

$$\frac{\text{Your net small business income share}}{\text{Your taxable income for the year}} \times 100$$

If that percentage is more than 100%, the small business percentage is 100%.

Step 4. If the partnership's *aggregated turnover for the year is $50,000 or less, multiply the amount at step 2 by the small business percentage: the result is the amount of your *tax offset.

Step 5. If the partnership's *aggregated turnover for the year is more than $50,000, work out the fraction (the ***small business phase-out fraction***) using the formula:

$$\frac{\$75{,}000 - \text{The partnership's *aggregated turnover for the year}}{\$25{,}000}$$

The amount of your *tax offset is worked out using the formula:

$$\text{Step 2 amount} \times \text{Small business percentage} \times \text{Small business phase-out fraction}$$

138 Paragraph 61-515(1)(b)

Omit "an *STS taxpayer", substitute "a *small business entity".

139 Paragraph 61-515(1)(c)

Omit "*STS group turnover", substitute "*aggregated turnover".

140 Paragraph 61-515(1)(d)

Omit "*net STS income", substitute "*net small business income".

141 Paragraph 61-515(1)(e)

Omit all the words after "a share", substitute "(***your net small business income share***) of that net small business income.".

142 Subsection 61-515(2) (method statement, steps 3, 4 and 5)

Repeal the steps, substitute:

Step 3. Work out the percentage (the ***small business percentage***) using the formula:

$$\frac{\text{Your net small business income share}}{\text{The *net income of the trust for the year}} \times 100$$

If that percentage is more than 100%, the small business percentage is 100%.

Step 4. If the trust's *aggregated turnover for the year is $50,000 or less, multiply the amount at step 2 by the small business percentage: the result is the amount of your *tax offset.

Step 5. If the trust's *aggregated turnover for the year is more than $50,000, work out the fraction (the ***small business phase-out fraction***) using the formula:

$$\frac{\$75{,}000 - \text{The trust's *aggregated turnover for the year}}{\$25{,}000}$$

The amount of your *tax offset is worked out using the formula:

$$\text{Step 2 amount} \times \text{Small business percentage} \times \text{Small business phase-out fraction}$$

143 Paragraph 61-520(1)(b)

Omit "an *STS taxpayer", substitute "a *small business entity".

144 Paragraph 61-520(1)(c)

Omit "*STS group turnover", substitute "*aggregated turnover".

145 Paragraph 61-520(1)(d)

Omit "*net STS income", substitute "*net small business income".

146 Paragraph 61-520(1)(e)

Omit all the words after "a share", substitute "(***your net small business income share***) of that net small business income.".

147 Subsection 61-520(2) (method statement, steps 3, 4 and 5)

Repeal the steps, substitute:

Step 3. Work out the percentage (the ***small business percentage***) using the formula:

$$\frac{\text{Your net small business income share}}{\text{Your taxable income for the year}} \times 100$$

If that percentage is more than 100%, the small business percentage is 100%.

Step 4. If the trust's *aggregated turnover for the year is $50,000 or less, multiply the amount at step 2 by the small business percentage: the result is the amount of your *tax offset.

Step 5. If the trust's *aggregated turnover for the year is more than $50,000, work out the fraction (the ***small business phase-out fraction***) using the formula:

$$\frac{\$75{,}000 - \text{The trust's *aggregated turnover for the year}}{\$25{,}00}$$

The amount of your *tax offset is worked out using the formula:

$$\text{Step 2 amount} \times \text{Small business percentage} \times \text{Small business phase-out fraction}$$

148 Section 61-525

Repeal the section, substitute:

61-525 Meaning of *net small business income* and *small business entity turnover*

Net small business income

(1) An entity's ***net small business income*** for an income year is the amount by which the entity's *small business entity turnover for the year is more than the sum of the entity's deductions attributable to that turnover.

Small business entity turnover

(2) An entity's ***small business entity turnover*** for an income year is the total *ordinary income that the entity *derives in the income year in the ordinary course of carrying on a *business.

(3) In working out an entity's *small business entity turnover for an income year, do not include any amount that is *non-assessable non-exempt income under section 17-5 (which is about GST).

149 Subsection 70-5(3) (note)

Omit "an STS taxpayer", substitute "a small business entity".

150 Subsection 70-35(1) (note)

Omit “an STS taxpayer”, substitute “a small business entity”.

151 Subsections 70-40(1) and (2)

Omit “STS taxpayers”, substitute “small business entities”.

152 Subsection 70-45(2) (table item 5)

Omit “an STS taxpayer”, substitute “a small business entity”.

153 Paragraph 104-235(4)(b)

Omit “STS taxpayers”, substitute “small business entities”.

154 Subsection 716-25(2) (note)

Omit “Simplified tax system”, substitute “Small business entities”.

155 Paragraph 727-15(8)(a)

Repeal the paragraph, substitute:

(a) *small business entities; and

156 Section 727-100 (note 2)

Omit “eligible to be an STS taxpayer”, substitute “a small business entity”.

157 Subsection 727-470(2) (heading)

Repeal the heading, substitute:

Entity that is a small business entity, or satisfies the maximum net asset value test for small business relief

158 Paragraph 727-470(2)(a)

Omit “eligible to be an *STS taxpayer”, substitute “a *small business entity”.

159 Subsection 995-1(1) (definition of *net STS income*)

Repeal the definition.

160 Subsection 995-1(1)

Insert:

net small business income has the meaning given by section 61-525.

161 Subsection 995-1(1)

Insert:

small business entity turnover has the meaning given by section 61-525.

162 Subsection 995-1(1) (definition of *STS annual turnover*)

Repeal the definition.

Part 3—Application and transitional

Income Tax (Transitional Provisions) Act 1997

163 Subsection 40-10(3) (note 2)

Omit “STS taxpayers”, substitute “Small business entities can choose to”.

164 Division 328 (heading)

Omit the heading, substitute:

Division 328—Small business entities

165 Before section 328-115

Insert:

328-1 Definitions

In this Division:

general STS pool means a general STS pool under old Subdivision 328-D.

long life STS pool means a long life STS pool under old Subdivision 328-D.

new Subdivision 328-D means Subdivision 328-D of the *Income Tax Assessment Act 1997*, as in force after the commencement of this section.

old Subdivision 328-D means Subdivision 328-D of the *Income Tax Assessment Act 1997*, as in force immediately before the commencement of this section.

STS taxpayer means an STS taxpayer within the meaning of Division 328 of the *Income Tax Assessment Act 1997*, as in force immediately before the commencement of this section.

328-110 Working out whether you are a small business entity for the 2007-08 or 2008-09 income year—turnover for earlier income years

(1) This section applies for the purpose of working out whether you are a small business entity (other than because of subsection 328-110(4) of the *Income Tax Assessment Act 1997*) for the 2007-08 or 2008-09 income year.

(2) You work out your aggregated turnover for the 2005-06 or 2006-07 income year as if the amendments made by Schedule 1 to the *Tax Laws Amendment (Small Business) Act 2007* had been in force in relation to that year.

(3) However, your aggregated turnover for the 2005-06 income year is taken to be less than $2 million if:

(a) your aggregated turnover for the 2005-06 income year (worked out in accordance with subsection (2)) is $2 million or more; but

(b) your STS group turnover for that year (worked out under Subdivision 328-F of the *Income Tax Assessment Act 1997*, as in force immediately before the commencement of this section) is less than $2 million.

328-111 Access to certain small business concessions for former STS taxpayers that are winding up a business

(1) This section applies if:

(a) in the 2007-08 income year or a later income year you are winding up a business you previously carried on; and

(b) you were an STS taxpayer for the income year in which you stopped carrying on that business.

(2) The following provisions apply as if you are a small business entity for the income year in which you are winding up the business:

(a) Subdivision 328-D of the *Income Tax Assessment Act 1997* (simpler rules for depreciating assets);

(b) Subdivision 328-E of the *Income Tax Assessment Act 1997* (simplified trading stock rules);

(c) Subdivision 61-J of the *Income Tax Assessment Act 1997* (25% entrepreneurs' tax offset);

(d) sections 82KZM and 82KZMD of the *Income Tax Assessment Act 1936* (deducting certain prepaid expenses immediately);

(e) section 170 of the *Income Tax Assessment Act 1936* (standard 2-year period for amending assessments).

328-112 Working out whether you are a small business entity for certain small business concessions—entities connected with you

(1) For the purpose of working out whether you are a small business entity for the 2007-08, 2008-09, 2009-10 or 2010-11 income year (each a ***relevant income year***) for the purposes of a provision to which subsection (3) applies:

(a) subsection 328-125(4) of the *Income Tax Assessment Act 1997* does not apply; and

(b) the following subsection applies instead.

(2) An entity (the ***first entity***) controls a discretionary trust for a relevant income year if, for any of the 4 income years (a ***previous income year***) before that year:

(a) if the previous income year is before the 2007-08 income year—the trustee of the trust made a distribution of $100,000 or more to the first entity, any of its affiliates, or the first entity and any of its affiliates; or

(b) if the previous income year is the 2007-08 income year or a later income year:

(i) the trustee of the trust paid to, or applied for the benefit of, the first entity, any of the first entity's affiliates, or the first entity and any of its affiliates, any of the income or capital of the trust; and

(ii) the percentage (the ***control percentage***) of the income or capital paid or applied is at least 40% of the total amount of income or capital paid or applied by the trustee for that year.

(3) This subsection applies to the following provisions:

(a) Subdivision 328-D of the *Income Tax Assessment Act 1997* (simpler rules for depreciating assets);

(b) Subdivision 328-E of the *Income Tax Assessment Act 1997* (simplified trading stock rules);

(c) Subdivision 61-J of the *Income Tax Assessment Act 1997* (25% entrepreneurs' tax offset);

(d) sections 82KZM and 82KZMD of the *Income Tax Assessment Act 1936* (deducting certain prepaid expenses immediately);

(e) section 170 of the *Income Tax Assessment Act 1936* (standard 2-year period for amending assessments).

166 Paragraph 328-115(1)(a)

Omit "an STS taxpayer", substitute "a small business entity".

167 Paragraph 328-115(2)(a)

Omit "stop being an STS taxpayer", substitute "are not a small business entity".

168 Subsection 328-115(3)

After "*1997*", insert "(as in force immediately before its repeal by Schedule 2 to the *Tax Laws Amendment (2004 Measures No. 7) Act 2005*)".

169 Subsection 328-115(3)

Omit "an STS taxpayer", substitute "using the STS accounting method".

170 Subsection 328-115(4)

After "that Act", insert "(as in force immediately before its repeal by Schedule 2 to the *Tax Laws Amendment (2004 Measures No. 7) Act 2005*)".

171 Subsection 328-115(4)

Omit "an STS taxpayer", substitute "using the STS accounting method".

172 Section 328-120

Repeal the section, substitute:

328-120 Continuing to use the STS accounting method

(1) This section applies if:

(a) you were an STS taxpayer for the most recent income year that started before 1 July 2005; and

(b) you continued to be an STS taxpayer until the end of the 2006-07 income year; and

(c) you used the STS accounting method for the 2005-06 and 2006-07 income years; and

(d) you are a small business entity for the 2007-08 income year.

(2) You can continue to use the STS accounting method:

(a) for the 2007-08 income year; and

(b) for any later income year for which you are a small business entity but only if you used the STS accounting method for the income year before that later year.

Example: You are a small business entity for the 2007-08 and 2008-09 income years and you continue to use the STS accounting method for those years. You are not a small business entity for the 2009-10 income year so you cannot continue to use the STS accounting method for that year. Because you cannot use the STS accounting method for the 2009-10 income year, you will not be able to use it again for a later income year even if you are a small business entity for that later year.

173 After section 328-125

Insert:

328-175 Choices made in relation to depreciating assets used in primary production business

(1) This section applies if:

(a) you were an STS taxpayer for an income year; and

(b) you made a choice under subsection 328-175(3) of old Subdivision 328-D in relation to a depreciating asset you use to carry on a primary production business and for which you could deduct amounts under Subdivision 40-F or 40-G of the *Income Tax Assessment Act 1997*.

(2) The choice has effect for the purposes of subsection 328-175(3) of new Subdivision 328-D.

Note: This means you cannot change the choice: see subsection 328-175(4) of new Subdivision 328-D.

328-185 Depreciating assets allocated to STS pools

Assets allocated to general STS pool

(1) A depreciating asset of yours that had been allocated to your general STS pool is treated as being allocated to your general small business pool.

Assets allocated to long life STS pool

(2) A depreciating asset of yours that had been allocated to your long life STS pool is treated as being allocated to your long life small business pool.

Choice not to allocate assets to long life STS pool

(3) If you made a choice, under subsection 328-185(5) of old Subdivision 328-D, not to have a depreciating asset allocated to your long life STS pool, the choice has effect for the purposes of subsection 328-185(5) of new Subdivision 328-D.

Note: This means you cannot change the choice: see subsection 328-185(6) of new Subdivision 328-D.

328-195 Opening pool balances for 2007-08 income year

(1) This section applies if a depreciating asset of yours is treated as being allocated to your general small business pool or long life small business pool under section 328-185.

(2) The opening pool balance of your general small business pool or long life small business pool for the 2007-08 income year is taken to be the closing pool balance of your general STS pool or long life STS pool, as the case requires, for the 2006-07 income year, reduced or increased by any adjustment required under section 328-225 of new Subdivision 328-D (about change in the business use of an asset).

(3) However, if:
   (a) you were not an STS taxpayer for the 2006-07 income year (because you stopped being an STS taxpayer before that time); but
   (b) you are a small business entity for the 2007-08 income year or a later income year and you choose to use new

Subdivision 328-D to deduct amounts for your depreciating assets for that income year;

the opening pool balance of your general small business pool or long life small business pool includes the sum of the taxable purpose proportions of the adjustable values of depreciating assets allocated to the pool under subsection 328-185(3) of new Subdivision 328-D for that year.

174 Section 328-440

Repeal the section, substitute:

328-440 Taxpayers who left the STS on or after 1 July 2005

(1) This section applies if you chose to stop being an STS taxpayer for the 2005-06 income year or the 2006-07 income year.

(2) You cannot choose to use new Subdivision 328-D to deduct amounts for your depreciating assets until at least 5 years after the income year for which you chose to stop being an STS taxpayer.

Note: Subdivision 328-D of the *Income Tax Assessment Act 1997* continues to apply to depreciating assets that have been allocated to your small business pools even if you are not a small business entity, or do not choose to use that Subdivision, for an income year: see section 328-220 of that Subdivision.

175 At the end of Division 727

Add:

727-470 Affected interests do not include equity or loan interests owned by entity that is eligible to be an STS taxpayer

(1) This section applies to an indirect value shift if:

(a) the indirect value shift happens in the 2007-08 income year or a later income year; and

(b) the scheme that results in the indirect value shift was entered into before the start of the 2007-08 income year.

(2) Paragraph 727-470(2)(a) of the *Income Tax Assessment Act 1997* (as in force immediately before the commencement of this section) continues to have effect in relation to the indirect value shift as if the repeals and amendments made by Schedule 1, Parts 1 and 2 of

Schedule 3 and Schedule 8 to the *Tax Laws Amendment (Small Business) Act 2007* had not been made.

176 Application

The amendments made by this Schedule apply in relation to the 2007-08 income year and later income years.

Schedule 4—Capital gains tax small business concessions

Part 1—Main amendments

Income Tax Assessment Act 1997

1 Section 152-5

Omit "then a small business entity", substitute "an entity".

2 Paragraph 152-5(a)

Repeal the paragraph, substitute:

(a) the entity must be a small business entity or a partner in a partnership that is a small business entity, or the net value of assets that the entity and related entities own must not exceed $6,000,000;

3 Paragraph 152-10(1)(c)

Repeal the paragraph, substitute:

(c) at least one of the following applies:

(i) you are a *small business entity for the income year;

(ii) you satisfy the maximum net asset value test (see section 152-15);

(iii) you are a partner in a partnership that is a small business entity for the income year and the CGT asset is an asset of the partnership;

Note: For the meaning of ***small business entity***, see Subdivision 328-C.

4 Section 152-15

Omit "$5,000,000", substitute "$6,000,000".

5 Paragraph 152-15(c)

Omit "*small business CGT affiliates", substitute "*affiliates".

6 Paragraph 152-15(c)

Omit "small business CGT affiliates", substitute "affiliates".

7 Paragraph 152-20(2)(a)

Omit “a *small business CGT affiliate”, substitute “an *affiliate”.

8 Subparagraph 152-20(2)(b)(i)

Omit “*small business CGT affiliate”, substitute “*affiliate”.

9 Paragraph 152-20(3)(a)

Omit “*small business CGT affiliate”, substitute “*affiliate”.

10 Paragraph 152-20(3)(b)

Omit “small business CGT affiliate”, substitute “affiliate”.

11 Subsection 152-20(4)

Omit “*small business CGT affiliate”, substitute “*affiliate”.

12 Subsection 152-20(4) (example)

Omit “small business CGT affiliate”, substitute “affiliate”.

13 Section 152-25

Repeal the section.

14 Section 152-30

Repeal the section.

15 Subparagraph 152-40(1)(a)(ii)

Omit “*small business CGT affiliate”, substitute “*affiliate”.

16 Paragraph 152-40(1)(b)

Omit “small business CGT affiliate”, substitute “affiliate”.

17 Subsection 152-40(1) (note)

Omit “Note”, substitute “Note 1”.

18 At the end of subsection 152-40(1)

Add:

Note 2: The meaning of ***connected with*** in subparagraph (1)(a)(ii) and paragraph (b) is affected by section 152-42.

19 After subsection 152-40(1)

Insert:

(1A) The following apply to a *CGT asset that you own if you are an individual:

(a) the asset (whether it is tangible or intangible) is taken to be used, or held ready for use, in the course of carrying on a business by your *affiliate if the asset is used, or held ready for use, in the course of carrying on a business by your *spouse or child under 18 years;

(b) if the asset is an intangible asset—the asset is taken to be inherently connected with a business that your affiliate carries on (for example, goodwill or the benefit of a restrictive covenant) if the asset is inherently connected with a business that your spouse or child under 18 years carries on.

20 Subsection 152-40(2)

After "subsection (1)", insert "or (1A)".

21 After section 152-40

Insert:

152-42 Trustee of discretionary trust may nominate beneficiaries to be controllers of trust

(1) This section applies for the purposes of determining, for the purposes of subparagraph 152-40(1)(a)(ii) or paragraph 152-40(1)(b), whether an entity is *connected with you.

Note: This affects whether a CGT asset that you own satisfies the active asset test.

(2) The trustee of a discretionary trust may nominate not more than 4 beneficiaries as being controllers of the trust for an income year (the ***relevant income year***) for which the trustee did not make a distribution of income or capital if the trust had a *tax loss, or no taxable income, for that year.

(3) A nomination under subsection (2) has effect as if each nominated beneficiary controlled the trust for the relevant income year in a way described in section 328-125.

Note: This means each nominated beneficiary is connected with the trust.

(4) A nomination under subsection (2) must:

(a) be in writing; and

(b) be signed by the trustee and by each nominated beneficiary.

22 Subsection 165-115AA(1)

Omit "$5,000,000", substitute "$6,000,000".

23 Subsection 165-115GC(4)

Omit "$5,000,000", substitute "$6,000,000".

24 Subsection 165-115GC(8)

Omit "because of the $10,000 or small business entity exclusions", substitute "because of the $10,000 exclusion, or because you satisfy the maximum net asset value test in section 152-15".

25 Paragraph 727-15(8)(b)

Omit "$5 million", substitute "$6 million".

26 Subsection 995-1(1) (definition of *small business CGT affiliate*)

Repeal the definition.

Part 2—Consequential amendments

A New Tax System (Wine Equalisation Tax) Act 1999

27 Paragraph 19-20(1)(a)

Omit “subsection 152-30(8)”, substitute “subsection 328-125(8)”.

28 Section 33-1 (definition of *connected with*)

Omit “section 152-30”, substitute “section 328-125”.

Income Tax Assessment Act 1997

29 Subsection 104-197(2) (example)

Omit “section 152-30”, substitute “section 328-125”.

30 Subsection 152-305(3)

Omit “Public entities of a kind referred to in subsection 152-30(9)”, substitute “Entities of a kind referred to in subsection 328-125(8)”.

Part 3—Application

31 Application

(1) The amendments made by Part 1 and items 29 and 30 of Part 2 of this Schedule apply to CGT events happening in the 2007-08 income year and later income years.

(2) The amendments made by items 27 and 28 of Part 2 of this Schedule apply in relation to producer rebates for the 2007-08 financial year and later financial years.

Schedule 5—Fringe benefits tax: car parking exemption

Fringe Benefits Tax Assessment Act 1986

1 Paragraph 58GA(1)(d)

Repeal the paragraph, substitute:

(d) either:

(i) the sum of the employer's ordinary income and statutory income for the year of income ending most recently before the start of the FBT year is less than $10 million; or

(ii) the employer is a small business entity for the year of income ending most recently before the start of the FBT year.

2 Subsection 58GA(2)

Omit "if the employer", substitute "if an employer to which subparagraph (1)(d)(i) applies".

3 Subsection 58GA(2)

Omit "in paragraph (1)(d)", substitute "in subparagraph (1)(d)(i)".

4 Paragraph 58GA(2)(c)

Omit "paragraph (1)(d)", substitute "that subparagraph".

5 Subsection 58GA(3)

Insert:

small business entity has the meaning given by subsection 995-1(1) of the *Income Tax Assessment Act 1997*.

6 Application

The amendments made by this Schedule apply in relation to the FBT year starting on 1 April 2007 and later FBT years.

7 Transitional—being a small business entity for the 2005-06 or 2006-07 income year

For the purposes of subparagraph 58GA(1)(d)(ii) of the *Fringe Benefits Tax Assessment Act 1986*, an employer is taken to be a small business entity for the 2005-06 income year or the 2006-07 income year (each a ***relevant income year***) if the employer would have been a small business entity for the relevant income year had the amendments made by Schedule 1 to the *Tax Laws Amendment (Small Business) Act 2007* been in force in relation to that year.

Schedule 6—PAYG instalments

Taxation Administration Act 1953

1 Subsection 45-125(7) in Schedule 1

Omit "(b) or (c)", substitute "(b), (c) or (d)".

2 Subparagraph 45-130(1)(b)(ii) in Schedule 1

Omit "$1 million", substitute "$2 million".

3 Subparagraph 45-130(1)(c)(i) in Schedule 1

Omit "$1 million", substitute "$2 million".

4 At the end of subsection 45-130(1) in Schedule 1 (before the note)

Add:

; or (d) for the 2009-10 income year or a later income year—you are a *small business entity (other than because of subsection 328-110(4) of the *Income Tax Assessment Act 1997*).

5 Subsection 45-130(2) in Schedule 1

Omit "(b) or (c)", substitute "(b), (c) or (d)".

6 After subsection 45-130(2) in Schedule 1

Insert:

(2A) For the purposes of subsection (2), you satisfy proposed paragraph (1)(d) at the end of the *starting instalment quarter in an income year if you are a *small business entity (other than because of subsection 328-110(4) of the *Income Tax Assessment Act 1997*) for the income year that includes that instalment quarter.

7 Subsection 45-130(3) in Schedule 1

Omit "(b) or (c)", substitute "(b), (c) or (d)".

8 After subsection 45-130(3) in Schedule 1

Insert:

(3A) For the purposes of subsection (3), you fail to satisfy proposed paragraph (1)(d) at the end of the first *instalment quarter in an income year if you are not a *small business entity (other than because of subsection 328-110(4) of the *Income Tax Assessment Act 1997*) for the income year that includes that instalment quarter.

9 Application

(1) The amendments made by items 2 and 3 of this Schedule apply in relation to the 2007-08 income year and later income years.

(2) The amendments made by items 1, 4, 5, 6, 7 and 8 of this Schedule apply in relation to the 2009-10 income year and later income years.

Schedule 7—Roll-over relief

Income Tax Assessment Act 1997

1 Before subsection 328-243(1)

Insert:

(1A) There is roll-over relief under subsection 40-340(1) (as affected by subsection 40-340(2)) if:

(a) *balancing adjustment events occur for *depreciating assets on a day (the ***BAE day***) because an entity (the ***transferor***) disposes of the assets in an income year to another entity (the ***transferee***); and

(b) the disposal involves a *CGT event; and

(c) the conditions in item 1, 2 or 3 of the table in subsection 40-340(1) are satisfied; and

(d) deductions for the assets are calculated under this Subdivision; and

(e) the transferor and the transferee jointly choose the roll-over relief; and

(f) the condition in subsection (2) is met.

2 Application

The amendment made by this Schedule applies in relation to the income year after the income year in which this Act receives the Royal Assent and each later income year.

Schedule 8—Miscellaneous amendments

Income Tax Assessment Act 1936

1 Subsection 82KZL(1) (definition of *small business taxpayer*)

Repeal the definition.

Income Tax Assessment Act 1997

2 Subdivision 960-Q

Repeal the Subdivision.

3 Subsection 995-1(1) (definition of *average turnover*)

Repeal the definition.

4 Subsection 995-1(1) (definition of *group turnover*)

Repeal the definition.

5 Subsection 995-1(1) (definition of *small business taxpayer*)

Repeal the definition.

6 Subsection 995-1(1) (paragraph (b) of the definition of *value*)

Omit “Subdivision 70-C; and”, substitute “Subdivision 70-C.”.

7 Subsection 995-1(1) (paragraph (c) of the definition of *value*)

Repeal the paragraph.

Income Tax (Transitional Provisions) Act 1997

8 At the end of section 40-340

Add:

Meaning of small business taxpayer

(7) An entity is a ***small business taxpayer*** for an income year if:

(a) the entity carries on a business in that year; and

(b) the entity's average turnover for that year is less than $1,000,000.

Note: An entity is treated as carrying on a business if it is winding up a business and it was previously a small business taxpayer: see subsection (11).

Meaning of average turnover

(8) An entity's ***average turnover*** for an income year (the ***current year***) is:

$$\frac{\text{Sum of relevant group turnovers}}{\text{Number of averaging years}}$$

where:

number of averaging years is:

(a) 3; or

(b) if the entity did not carry on a business in each of the current year and the 2 years before the current year, the number of those income years in which the entity carried on a business.

Note: An entity is treated as carrying on a business if it is winding up a business and it was previously a small business taxpayer: see subsection (11).

sum of relevant group turnovers is the sum of:

(a) the entity's group turnover for the current year; and

(b) the entity's group turnover (if any) for the 2 preceding income years.

Meaning of group turnover

(9) The ***group turnover*** of an entity (the ***primary entity***) for an income year is the sum of:

(a) the value of the business supplies the primary entity made in the income year; and

(b) the value of the business supplies entities connected with the primary entity made in the income year;

reduced by:

(c) that part of the value of the business supplies the primary entity made in the income year that is attributable to supplies it made during the year to entities connected with it when they were connected with it; and

(d) that part of the value of the business supplies entities connected with the primary entity made in the income year that is attributable to supplies the connected entities made during the year to the primary entity when they were connected with it; and

(e) that part of the value of the business supplies another entity made in the income year that is attributable to supplies the other entity made to a third entity at a time when both the other entity and third entity were connected with the primary entity.

Value of business supplies

(10) The ***value*** of the business supplies an entity makes in an income year is the sum of:

(a) for taxable supplies (if any) the entity makes during the year in the course of carrying on a business—the value (as defined by section 9-75 of the GST Act) of the supplies; and

(b) for other supplies the entity makes during the year in the course of carrying on a business—the prices (as defined by section 9-75 of the GST Act) of the supplies.

Winding up a business

(11) Subsections (7) and (8) apply to an entity as if it carried on a business in an income year if:

(a) in that year the entity was winding up a business it previously carried on; and

(b) the entity was a small business taxpayer for the income year in which it stopped carrying on that business.

9 Application

The amendments made by this Schedule apply in relation to the 2007-08 income year and later income years.

[*Minister's second reading speech made in—*
House of Representatives on 10 May 2007
Senate on 12 June 2007]

(72/07)