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Overview of key changes

Key changes and new measures to be aware of when completing your clients' returns include the working holiday maker tax rate, expanded access to small business concessions, early stage investor tax incentives, significant global entities and transitional CGT relief for superannuation funds.

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Working holiday makers tax rate

From 1 January 2017, working holiday makers on a 417 or 462 visa must pay 15% tax on working holiday income up to \$37,000. Their remaining income is taxed according to their residency status.

See also:

- [Working holiday makers \(/Individuals/International-tax-for-individuals/Coming-to-Australia/Working-holiday-makers/\)](#)

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Norfolk Island tax

From 1 July 2016, Norfolk Island residents are taxed on their Norfolk Island income and subject to the Medicare levy.

See also:

- [Norfolk Island tax and super \(/general/norfolk-island-tax-and-super/\)](#)

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New Zealand special visa holders – tax relief

New Zealand special class visa (subclass 444) holders in Australia who have been adversely affected by disasters in the 2014–15 and later years are entitled to:

- a tax rebate for ex-gratia Income support allowance received
- an income tax exemption for ex-gratia Disaster recovery payments received.

See also:

- [Tax relief for ex gratia disaster assistance payments \(/general/new-legislation/in-detail/direct-taxes/income-tax-for-individuals/tax-relief-for-ex-gratia-disaster-assistance-payments/\)](#)

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Foreign resident capital gains withholding

A taxpayer must lodge a tax return at the end of the financial year declaring their Australian assessable income, including any capital gain from the disposal of any asset that has been subject to foreign resident capital gains withholding (FRCGW). The taxpayer vendor will be able to claim a credit in their tax return for any FRCGW paid by the purchaser in relation to those assets.

There are new labels in the tax return to ensure any FRCGW credit is claimed correctly.

Existing withholding label descriptions in the tax return have been modified to state that the FRCGW credit should not be claimed at those labels.

See also

- [Capital gains withholding: Impacts on foreign and Australian residents \(/General/Capital-gains-tax/In-detail/Calculating-a-capital-gain-or-loss/Capital-gains-withholding--Impacts-on-foreign-and-Australian-residents/\)](#)

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Reportable fringe benefits

How reportable fringe benefits are included in adjusted taxable income (ATI) for family assistance and youth income support payments has changed.

We provide this information to the Department of Human Services, and have changed how these benefits need to show on tax returns. There are now two labels in item **IT1** and the respective part of the Spouse details. This change does not affect income tax liability.

See also:

- [Fringe benefits change and adjusted taxable income \(/general/new-legislation/in-detail/direct-taxes/fbt/fringe-benefits-change-and-adjusted-taxable-income/\)](#)

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Business services wage assessment tool payments

The Business services wage assessment tool (BSWAT) payment scheme provides a one-off lump sum payment to eligible employees.

To be eligible, the recipient of the payment must have worked for an Australian disability enterprise between 1 January 2004 and 28 May 2014.

A lump sum in arrears tax offset may apply in respect of the payment.

See also:

- [BSWAT payment scheme \(/individuals/people-with-disability/in-detail/income-tax/the-bswat-payment-scheme---what-it-means-for-you/\)](#)

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Farm management deposit reforms

From 1 July 2016, changes to the farm management deposit (FMD) scheme:

- reintroduced early access provisions for primary producers experiencing drought
- increased the cap on FMDs that can be held by primary producers from \$400,000 to \$800,000
- removed the legislative restriction on the use of FMDs as interest offset accounts against farm business loans.

See also:

- [Farm management deposit reforms \(/general/new-legislation/in-detail/direct-taxes/income-tax-for-individuals/farm-management-deposit-reforms/\)](#)

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Primary production averaging reforms

From 1 July 2016, primary producers who opted out of income tax averaging 10 years ago will have averaging automatically re-instated.

This means that 2017 will be the first income year of averaging calculations for primary producers who opted out in 2007 or earlier income years.

Affected primary producers can elect to opt out of averaging for a further 10 income years. They can do this after the first averaging adjustment, which is always a tax offset.

See also:

- [Automatic reinstatement of primary production income tax averaging \(/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-individuals/Automatic-reinstatement-of-PP-averaging/\)](#)

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Small business concessions access expanded

From 1 July 2016, a range of small business tax concessions became available to all businesses with a turnover of less than \$10 million. Before that, the turnover threshold was \$2 million.

The \$10 million threshold applies to most concessions, except for:

- the small business income tax offset, which has a threshold of \$5 million (available to individuals)
- capital gains tax (CGT) concessions, which continue to have a threshold of \$2 million.

The threshold for fringe benefits tax (FBT) concessions increased to \$10 million from 1 April 2017.

See also:

- [Increase the small business entity turnover threshold \(/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-businesses/Increase-the-small-business-entity-turnover-threshold/\)](#)

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Small business income tax offset changes

From 1 July 2016, an individual may be entitled to a tax offset for the tax payable on their small business income. The income must be earned by a sole trader, partnership or trust that is a small business entity.

The small business income tax offset:

- increased from 5% to 8%, with a limit of \$1,000 each year
- applies to small businesses with turnover less than \$5 million (previously \$2 million).

See also:

- [Small business income tax offset \(/business/income-and-deductions-for-business/in-detail/small-business-income-tax-offset/\)](#)

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Small business company tax rate reduced

The small business company tax rate has been reduced from 28.5% to 27.5% for the 2016–17 income year. This lower rate also applies to small businesses that are corporate unit trusts and public trading trusts.

Eligible small businesses must complete the checkbox in the Status of company section on their company tax return. The company tax rate will remain at 30% for all other companies.

Small businesses must base their franking of distributions on the 27.5% tax rate.

See also:

- [Reducing the corporate tax rate \(/general/new-legislation/in-detail/direct-taxes/income-tax-for-businesses/reducing-the-corporate-tax-rate/\)](#)

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Early stage venture capital limited partnership

From 1 July 2016, a limited partner of an early stage venture capital limited partnership (ESVCLP) may qualify for a:

- non-refundable carry forward tax offset of up to 10% on contributions to an ESVCLP that becomes unconditionally registered on or after 7 December 2015
- tax exemption for part of the capital gain or income from the disposal of investments that accrued to the end of the period ending six months after the end of an income year in which the investee's value first exceeded \$250 million.

See also:

- [ESVCLP tax incentives and concessions \(/business/venture-capital-and-early-stage-venture-capital-limited-partnerships/esvclp-tax-incentives-and-concessions/\)](#)

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Early stage investor tax incentives

From 1 July 2016, investors who acquire newly issued shares in a qualifying Australian early stage innovation company (ESIC) may be eligible for:

- a non-refundable carry forward tax offset equal to 20% of the amount paid for the shares. This is capped at a maximum amount of \$200,000 for the investor and their affiliates combined in each income year.
- modified CGT treatment, under which the investor can disregard any capital gains made on the shares that have been continuously held for between one and ten years. Capital losses on the shares held for less than 10 years must be disregarded.

ESICs are also required to report information to us if they issue new shares to one or more investors during a financial year that could lead to an investor being entitled to access the early stage investor tax incentives. This approved form will be available via ATO Online or the Tax Agent Portal, and must be lodged by 31 days after the end of the income year.

See also:

- [Tax incentives for early stage investors \(/business/tax-incentives-for-innovation/in-detail/tax-incentives-for-early-stage-investors/\)](#)

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Significant global entities

The significant global entity (SGE) concept was introduced as part of the *Tax Laws Amendment (Combating Multinational Tax Avoidance) Act 2015*. It contains a package of measures announced as part of the 2015–16 Budget. These measures focus on combating multinational tax avoidance.

An entity is a SGE if it is a:

- global parent entity with an annual global income of A\$1 billion or more
- member of a group of entities consolidated for accounting purposes and one of the other group members is a global parent entity with an annual global income of A\$1 billion or more.

From the 2016–17 income year, taxpayers are required to self-assess if they are a SGE and notify us on their annual company tax return at Item **3 G1** Status of company.

General purpose financial statement

SGEs that are corporate tax entities are required to give us a general purpose financial statement (GPFS) if they:

- are Australian residents or foreign residents operating an Australian permanent establishment at the end of the income year
- do not lodge a GPFS with the Australian Securities and Investments Commission (ASIC) within the time provided.

We have added a new item **5** to the company tax return to allow taxpayers to indicate if they have lodged or will be lodging a GPFS with ASIC.

Country-by-Country (CbC) reporting

Country-by-Country (CbC) reporting is part of a broader suite of international measures aimed at combating tax avoidance through more comprehensive information being provided to us to better conduct risk assessments associated with transfer pricing.

The measure takes effect from income years commencing on, or after, 1 January 2016. It requires SGEs to supply us with three statements which will provide a clear overview of its global and Australian operations. This information will be shared with tax authorities in the other jurisdictions in which the group operates. The measure also contains revised standards for transfer pricing documentation.

See also:

- [Significant global entities \(/Business/Public-business-and-international/Significant-global-entities/\)](/Business/Public-business-and-international/Significant-global-entities/)

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Limited recourse borrowing arrangement reporting

Following the 2015 Murray Inquiry, no limited recourse borrowing arrangement (LRBA) restrictions were imposed on self-managed super funds (SMSFs). However, the government has asked us to monitor and report back to them on the levels of risk and leverage associated with SMSF borrowing, so we have added questions about the use of LRBA's and borrowings to the *Self-managed superannuation fund annual return*.

There are three new labels at question **16V** Borrowings to report LRBA borrowings, temporary borrowings and other borrowings.

If reporting LRBA assets, SMSFs are required to give details of the financing arrangements used in LRBA's at question **15e** Limited recourse borrowing arrangements, A and B on the SMSF's use of:

- finance from licenced financial institutions
- personal guarantees and other securities.

See also:

- [Borrowing \(/super/self-managed-super-funds/investing/restrictions-on-investments/borrowing/\)](/super/self-managed-super-funds/investing/restrictions-on-investments/borrowing/)
- [Self-managed superannuation fund annual return instructions 2017 \(/Forms/Self-managed-superannuation-fund-annual-return-instructions-2017/\)](/Forms/Self-managed-superannuation-fund-annual-return-instructions-2017/)

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Transitional capital gains tax relief for super funds

To support super funds to comply with changes to the super system that start on 1 July 2017, the government has introduced transitional capital gains tax (CGT) relief for affected funds.

Transitional CGT relief is available to super funds for certain CGT assets that will lose the tax exemption:

- by complying with the new transfer balance cap
- as a result of transition-to-retirement income stream (TRIS) reforms commencing.

CGT relief must be chosen by a trustee for a CGT asset. The asset must have been held by the fund throughout the period 9 November 2016 to midnight 30 June 2017.

There are two new questions in the CGT schedule for transitional CGT relief. It applies to certain CGT assets held by a complying SMSF at all times between the start of 9 November 2016, to 'just before' 1 July 2017.

If CGT relief is chosen, the trustee must advise us in the 2017 CGT schedule:

- that they have chosen for the CGT relief to apply at question **8F**
- any capital gain deferred to a later year at question **8G**

A fund must report the above on, or before, the day they are required to lodge their fund's 2017 tax return. This decision is irrevocable.

See also:

- [Transitional CGT relief \(/super/self-managed-super-funds/super-changes-for-self-managed-super-funds/introducing-a-transfer-balance-cap-of-\\$1-6-million-for-pension-phase-accounts/transitional-cgt-relief/\)](/super/self-managed-super-funds/super-changes-for-self-managed-super-funds/introducing-a-transfer-balance-cap-of-$1-6-million-for-pension-phase-accounts/transitional-cgt-relief/)

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Increasing access to company losses

At the time of publishing, these changes had not become law.

On 30 March 2017, legislation was introduced into parliament that will supplement the current 'same business test' for company losses with a more flexible 'similar business test'. The new test will enable greater access to past year losses when companies enter into new transactions or business activities.

The similar business test will allow a company to access losses following a change in ownership where its business, while not the same, is similar.

As a test for accessing past year losses, the 'similar business test' will only be available for losses made in income years starting on or after 1 July 2015.

The 'same business test' and the 'similar business test' will be collectively known as 'business continuity test'.

This measure is expected to take effect in relation to income years starting on or after 1 July 2015.

See also:

- [Increasing access to company losses \(/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-businesses/Increasing-access-to-company-losses/\)](/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-businesses/Increasing-access-to-company-losses/)

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