

# 26-27 Federal Budget




## Small Business Edition

AH TAX & ACCOUNTING


### Summary of Key Reforms

Reform Measure	Content
Reintroduce Tax Loss Carry-Back	Carry back losses to claim a refund on tax paid in the previous 2 years
\$20,000 Instant Asset Write-Off	Immediate deduction for assets ≤ \$20,000 – made permanent
Startup Refundable Offset	Convert startup losses into cash
R&D Tax Incentive Overhaul	Offset and thresholds increase
Monthly PAYG System	Monthly PAYG instalments available from 2027
Compliance & Combatting fraud	Increase ATOI audit and review resources



### 1 Tax Loss Carry-Back

-  Reintroduce from 1 July 2026 (FY2026)
-  Allows businesses with a loss in the current year to claim a refund on tax paid on previous profits, carrying back up to 2 years
-  Applies to businesses with global annual turnover < \$1 billion

Financial Year	Scenario
2025	Taxable Income \$300k, company tax paid \$75,000
2026	Loss \$200k, refundable \$50,000 (provided prior tax was paid)

 Note: Be aware of your franking account balance, as it may affect the maximum refundable amount.

### 2 Permanent \$20,000 Instant Asset Write-Off

-  Applies to businesses with annual turnover ≤ \$10 million
-  Permanent measure: Assets costing ≤ \$20,000 can be deducted immediately
- For example: Computers, machinery, office equipment, POS systems, tools, professional equipment, commercial vehicles, etc.

 What if the asset costs more than \$20,000? (Small business can choose to use the simplified depreciation pool)

Period	Depreciation Rate
Year 1	15%
Subsequent years	30%

### 3 Startup Refundable Offset

- 📅 Expected to take effect from 1 July 2028
- 📍 Applies to businesses with annual turnover ≤ \$10 million that are in their first two years of operation with a tax loss.
- 💰 Purpose: Convert a "tax loss" into cash refunded to the business. Limited to refunding Fringe Benefits Tax (FBT) and PAYG withholding tax paid in that year.

📌 For more info refer to [Qualifying as an early stage innovation company](#)

### 4 R&D Tax Incentive Reform

#### 📌 Key Highlights

- ✅ Core R&D offset increase (approx. 25% - 50%)
- ✅ Turnover threshold: Increase from \$20m → \$50m
- ✅ Maximum claimable threshold: Increased from \$150m → \$200m

#### ⚠️ Supportive R&D Expenditure No Longer Eligible:

- ❌ Literature reviews / market research
- ❌ Routine equipment maintenance

📌 Check if you are eligible for the R&D Tax Incentive:

🌐 [Check if you are eligible for the R&D Tax Incentive | business.gov.au](#)

### 5 Monthly PAYG Tax System

- 📅 From FY2027, businesses can choose to pay PAYG instalments monthly (to reduce the pressure of a single large end-of-year payment).

#### Benefits for businesses:

- ✅ Better alignment with actual cash flow
- ✅ Reduces large year-end tax bills
- ✅ Lowers estimate errors in PAYG calculations

### 6 Strengthen ATO Compliance Review

- 📁 ATO receives an additional \$86.3 million in funding for data analytics, audits, and recovery activities.

#### 🎯 Key areas likely to be strengthened:

- Fraud detection (data matching)
- R&D tax incentive audits
- Live Account Monitoring (enhanced real-time monitoring of ATO accounts)
- Superannuation guarantee compliance

Source: CPA Australia 2026-27 Federal Budget Report

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