

What rate of tax does my private company pay?

From 1 July 2018, the rules for determining the rate of tax paid by a company changed to depend on whether your company is a 'base rate entity'.

Year	Tax rate for base rate entity	Tax rate when not a base rate entity
2018, 2019 & 2020	27.5%	30%
2021	26%	30%
2022	25%	30%

The rate at which a company can frank its dividends is also affected.

There are two tests in determining whether a company is a 'base rate entity'.

1. Turnover Test

To be a base rate entity, a company's aggregated (incomes earned across connected entities from business activities) base rate threshold:

Year	Base rate entity threshold
2018	\$25 million
2019 and later	\$50 million

2. Passive Income Test

The second test is whether the company's 'base rate entity passive income' or 'BREPI' is more than 80% of its assessable income.

If a company's BREPI for a year is not more than 80% of its assessable income, it is a base rate entity (subject to the turnover test).

BREPI is essentially income from passive investments. Examples of income that are usually BREPI include:

- dividends (including the franking credits attached), unless received by a shareholder that is a company that owns at least 10% of the voting rights in the company paying the dividend
- interest
- royalties
- rent
- net capital gains
- distributions from trusts and partnerships to the extent that the distributions are referable to the BREPI of that trust or partnership.

Importantly, profits from previous years that were taxed at 30% may only give rise to a franking credit at the lower base rate entity rate.

It is very important to be aware of the rate of tax each company in a group will pay, and also the rate at which its dividends will be franked, as this is likely to differ from company to company going forward, and even from year to year in the same company.

There can also be a difference between the rate of tax paid in the past (and the rate at which franking credits have arisen), and the rate at which a dividend can be franked in the future.

If you have any questions about the rate at which your company will pay tax or can frank its dividends, please contact a member of our [tax team](#) on 07 4688 2188 for more information.

For more information contact our [Tax, Structures & Planning Team](#).

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