



What are the company tax rates over the next few years?

The prevailing company tax rate will depend on whether the company is a *base rate entity*.

Income Year	Aggregated Turnover Threshold	Company tax rate for a base rate entity (Low Rate)	Company tax rate for other companies (High Rate)
2017/18	\$25m	27.5%	30%
2018/19	\$50m	27.5%	30%
2019/20	\$50m	26%	30%
2020/21 and later	\$50m	25%	30%

In two years', there will be a 5% differential.

From 2018/19, a company will be a *base rate entity* and use the Low Rate if its *aggregated turnover* is less than \$50m and 80% or a less of its assessable income is *base rate passive income*. Base rate passive income includes:

- Dividends (including non-share dividends)
- Franking credits
- Interest (including gains on qualifying securities)
- Royalties
- Rent
- Net capital gains, and
- Distributions of *base rate passive income* from trusts or partnerships.

Aggregated turnover means the company's turnover plus the turnover of its affiliates and connected entities.

The maximum rate that a company can use to frank dividends is its *corporate tax rate for imputation purposes* and is worked out based on the company's situation in the prior year. It is either the current year Low Rate or the High Rate based on the prior year's levels of aggregated turnover, base rate passive income and assessable income.

If the company was set up in the current year then the maximum franking rate is the Low Rate for the current year.

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Andrew Lovett

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