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Committee Secretary
Economics Legislation Committee
Department of the Senate
Parliament House
CANBERRA ACT 2600

Email: economics.sen@aph.gov.au

16 July 2026

Dear Sir/Madam,

Treasury Laws Amendment (Tax Reform No. 2) Bill 2026

CPA Australia is Australia's leading professional accounting body and one of the largest in the world. We represent the diverse interests of more than 173,000 members in over 100 countries and regions. We make this submission in response to the **Treasury Laws Amendment (Tax Reform No. 2) Bill 2026** (Bill) on behalf of our members and in the broader public interest.

Executive summary

CPA Australia supports the policy intent of Schedule 1 and Schedule 2 of the Bill, which would provide timely tax relief to eligible businesses through the loss carry back tax offset and the $20,000 instant asset write-off. However, we recommend targeted refinements to improve certainty, fairness and practical access for small businesses.

For Schedule 1, further refinement is needed in the operation of the franking account balance ceiling and the exclusion of non-corporate entities. These settings limit the measure's effectiveness for private companies that have distributed profits and for businesses operating through trusts or partnerships, particularly in volatile sectors.

For Schedule 2, the fixed $20,000 threshold should be supported by an update mechanism, such as indexation or regular review, to maintain its real value over time and reduce the need for repeated legislative amendments.

Key comments and recommendations:

We make the following key comments and recommendations for your consideration which we believe would further improve the efficacy of the proposed Bill:

Schedule 1 – Loss carry back tax offset

- The franking account balance ceiling limit access to the loss carry back tax offset for private companies that have paid tax in prior years but distributed profits as franked dividends.
- This reduces the practical benefit of the measure for otherwise eligible companies with low or nil franking account balances at year end.

Recommendations

- Review the operation of the franking account balance ceiling to ensure it does not unduly restrict access for companies that have genuinely incurred losses after paying tax in earlier income years.
- The exclusion of non-corporate entities creates an unfair outcome for businesses operating through trusts or partnerships, particularly in volatile sectors such as agriculture, primary production, building and construction. Consider whether targeted relief, an equivalent mechanism or additional support should be made available to eligible non-corporate businesses that cannot access the loss carry back measure.

Schedule 2 – $20,000 instant asset write-off for small business entities

- The $20,000 instant asset write-off threshold is fixed in the Bill and does not automatically account for inflation or rising business costs.
- The real value of the threshold has declined since it was first introduced in 2015, reducing its effectiveness for small business investment over time.
- The absence of an update mechanism would require repeated legislative amendments to maintain the threshold's policy intent.

Recommendation

Introduce an update mechanism, such as annual indexation, regular review or adjustment through regulations or legislative instruments, to preserve the threshold's real value and provide greater certainty for small businesses.

If you have any queries, contact Jenny Wong, Tax Policy Lead on jenny.wong@cpaaustralia.com.au or Bill Leung, Tax Technical Advisor on bill.leung@cpaaustralia.com.au.

Yours sincerely,

Jenny Wong
Tax Policy Lead

Policy and Advocacy

Appendix

Detailed Discussions

Schedule 1 - Loss carry back tax offset

Franking account balance ceiling

The refundable tax offset is capped at the entity's franking account balance at the end of the current year. For (private) companies that distribute most of their profits via franked dividends to their shareholders, their franking account balance might be minimal. Such a company could have paid significant tax in 2024 and 2025 and have a tax loss in 2026. However, if they distributed those past profits, they are locked out of the carry back benefit.

Non-corporate entity exclusion

The regime is strictly limited to corporate tax entities. In industries with high volatility such as agriculture/primary production or building and construction, a large number of businesses operate through discretionary trusts or family partnerships rather than (proprietary limited) companies. Under the Bill, these businesses cannot access loss carry back. Instead, they must continue to carry losses forward to offset future income, creating an unlevel playing field based purely on their business' legal structure.

Recommendations

- Review whether the exclusion of non-corporate entities creates unintended inequities based on business structure, rather than economic need or prior tax contributions.
- Consider targeted support or an equivalent relief mechanism for eligible non-corporate businesses, including trusts and partnerships, where losses arise in volatile sectors such as agriculture, primary production, building and construction.

Schedule 2 - $20,000 instant asset write-off for small business entities

Update mechanism required

The $20,000 instant asset write-off is legislated at a fixed amount of $20,000, and is not adjusted to account for inflation, ie the "rising costs of living" unlike some other areas of the taxation system, which are indexed or subjected to regular review and adjustment.

The $20,000 instant asset write-off was first introduced in the 2015-16 Federal Budget, which took effect for assets purchased and first used or installed ready for use from 12 May 2015. Due to inflation and the rising cost of living, the purchasing power of $20,000 today buys significantly less than it did in 2015. Overtime, the severity of this unintended impact of the threshold will be even more gravely felt by small business entities.

Recommendations

We recommend an update mechanism to the $20,000 threshold without full legislative changes through delegated legislation or regulations, legislative instruments or indexation regulations, i.e., the Act can explicitly prescribe that a threshold be automatically indexed each financial year. Specifically:

- Introduce an automatic update mechanism for the $20,000 threshold to ensure it remains fit for purpose as inflation and business input costs increase.
- Consider annual indexation of the threshold by reference to an appropriate inflation measure, with the updated amount published before the start of each income year.
- Alternatively, require the threshold to be reviewed at regular intervals and adjusted through regulations or legislative instruments, rather than requiring full legislative amendment each time.
- Provide certainty to small business entities by confirming the updated applicable threshold sufficiently early to support investment planning and cash flow management.
- Ensure any update mechanism is simple to administer and clearly communicated, so that small businesses and their advisers can apply the threshold with confidence.