

What you need to know about the new Investment Allowance and Tax Break

In December 2008, the federal government announced a new incentive designed to encourage Australian businesses to invest. The investment allowance is an additional tax deduction applicable to tangible depreciating assets.

1. The **small business tax break** applies to businesses with an annual turnover of less than \$2 million where the minimum cost of the asset acquired is at least \$1,000.
2. The **general business tax break** applies to business with an annual turnover of more than \$2 million where the minimum cost of the asset acquired is at least \$10,000.

To be eligible, a tax payer must contract to purchase the assets after 12 December 2008 and prior to 30 June 2009. Where the asset is not supplied by 30 June 2009 it must be installed and ready for use by 30 June 2010.

The investment allowance is applicable to **NEW ASSETS** and new expenditure on existing assets used in Australia. Assets can be purchased for cash or financed by a lease, hire purchase or chattel mortgage.

Eligible Assets (new, tangible & depreciable business assets)	Ineligible Assets
<ul style="list-style-type: none"> • Computer hardware • New and demonstrator motor vehicles (subject to a cap of \$57,180) • Business equipment and machinery 	<ul style="list-style-type: none"> • Motor vehicles where the deduction is claimed using the cents per kilometre method • Second hand assets • Land or buildings • Intangible assets e.g. computer software • Trading stock

The amount of the tax break depends on the timing of the assets acquired as follows:

Asset installed by:	Contract entered into by:	
	30 June 2009	31 December 2009
30 June 2009	30% claim in 2009 tax return	
30 June 2010	30% claim in 2010 tax return	10% claim in 2010 tax return
31 December 2010	10% claim in 2011 tax return	10% claim in 2011 tax return

We recommend that you contact our office to discuss any proposed capital acquisitions prior to 30 June 2009.

Disclaimer:

The above is a general summary only. The legislation to formalise this proposed allowance has yet to be enacted by parliament.