



INVESTMENT ALLOWANCE BOOST

On 3 February 2009 the Government released its economic stimulus package, *Nation Building and Job Plan*. Included in the proposals is a temporary investment allowance to encourage capital investment by Australian businesses.

The proposals as they stand at present are:

- all businesses will be able to claim a bonus deduction of either 30% or 10% on expenditure for eligible assets;
- where your business acquires an eligible asset between 12.01am AEDT 13 December 2008 and the end of June 2009 and has it installed ready for use before the end of June 2010, you will be able to claim a bonus tax deduction of 30% of the cost of the asset;
- where your business acquires an eligible asset between July 2009 and the end of December 2009 and has it installed ready for use before the end of December 2010, you will be able to claim a bonus tax deduction of 10% of the cost of the asset;
- there are different eligibility spending thresholds for small businesses (one that has a turnover of \$2 million per year or less) and other businesses;
- small businesses will only need to spend a minimum of \$1,000 per eligible asset in order to qualify for this special deduction. Other businesses will be entitled to the same deductions if they spend a minimum of \$10,000 per eligible asset;
- assets eligible for this allowance are new tangible depreciating assets and new expenditure on existing assets used in carrying on your business and for which you can claim a capital allowance deduction; and
- this bonus deduction is on top of the usual capital allowance (depreciation) deduction that you can claim for eligible assets.

Example

The Treasurer released the following example illustrating how this bonus deduction will work.

A landscaping business entered into a binding contract to acquire a new backhoe on 20 May 2009 at an all inclusive cost of \$60,000. The backhoe is delivered and ready for use on 20 June 2009 and has an effective life of 9 years.

The business will be entitled to claim the 30% deduction because:

- *a backhoe is a depreciating asset for which the business would be entitled to claim a capital allowance deduction;*
- *the backhoe exceeds the expenditure threshold of \$1,000 for small businesses and \$10,000 for all other businesses;*
- *the business started to hold the backhoe before the end of June 2009; and*
- *the backhoe was installed ready for use before the end of June 2010.*

The deduction will be 30% of the eligible cost of the backhoe - \$18,000 (30% of \$60,000).

When lodging its 2008-09 income tax return the business will be able to claim this bonus deduction in addition to the usual depreciation deduction on the backhoe.

If the business delays this investment until after 30 June 2009 – for example, until 1 September 2009 – and has it installed ready for use before the end of December 2010, the 10% rate would apply. It would be able to claim a deduction of \$6,000 (10% of \$60,000).



TIP

It's still early days and this proposal is not law as yet. We haven't seen the legislation for this bonus one-off investment allowance – we are expecting it to be released by the end of February 2009.

Should you require any further information or would like to make an appointment to discuss the above please do not hesitate to contact Michelle Pearce, John Fara or Chris Rutter on (02) 9555 1309.

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