

Maintaining Business Growth In Troubled Times

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The Federal Government's recent spate of stimulus incentives to households and individuals have been well publicised. However, you should also be aware of an incentive that will soon be available to businesses and might assist to realise planned investments despite the downturn.

Federal Treasurer Wayne Swan has announced an investment allowance comprising an additional tax cut of 30% on eligible investments made between 12 December 2008 and 30 June 2009 and 10% on eligible investments made between 1 July 2009 and 31 December 2009. The allowance offers an additional tax deduction on the cost of most new tangible depreciating assets. The investment allowance is intended to "encourage important capital investment by Australian businesses" and boost businesses' confidence to continue to execute positive investment plans for the future.

To date, no draft legislation has been introduced to Parliament however on 3 February 2009, eligibility for the investment allowance was broadened to particularly benefit small businesses.

In summary:

- The taxpayer must start to hold the asset under a contract, or start to construct the asset after 12.01am AEDT 13 December 2008 and before the end of June 2009 (or before 31 December 2009 for the 10% allowance).
- Assets must be installed ready for use by the end of 30 June 2010.
- A minimum expenditure threshold of \$1,000.00 for small businesses and \$10,000.00 for all other businesses will apply.
- The asset must be a new asset or new expenditure on existing assets, used in Australia. Assets that have previously been used or held for use will be excluded.
- The asset must be a tangible asset used in carrying on a business, for which a deduction is available under the core provisions of Division 40 (Capital Allowances) in the *Income Tax Assessment Act 1997* (ITAA97).
- The allowance can be claimed through the income tax return in which the first capital allowance is claimed for the asset.
- Where an asset is partly used for private or non-taxable purposes, only the portion that is used for a taxable purpose in carrying on a business will count toward meeting the threshold.

The investment allowance will not include:

- Land and trading stock- as they are excluded from the definition of depreciating assets.
- Assets to which Division 40 does not apply. This means capital works for which you can deduct amounts under Division 43 of the ITAA97 will not qualify for the investment allowance.
- Assets for which deductions can be obtained under other Subdivisions. These assets are already subject to special treatment.

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