



Bonus tax depreciation deduction for new eligible assets

The Government has announced in its Nation Building and Jobs Plan, a proposal to grant a 30% bonus tax depreciation deduction for small businesses, for eligible assets costing more than \$1,000 and acquired before 30 June 2009 or 10% if acquired before 31 December 2009.

Other businesses would be eligible to access the same concessions for assets costing more than \$10,000. The temporary bonus allowance would apply on-top of regular capital allowances for depreciable assets under Div 40 of the ITAA 1997.

Outline of proposals

The Government's proposal includes providing small businesses with a temporary bonus tax depreciation deduction for eligible assets costing \$1,000, of:

- 30% of the asset's cost, if the asset is acquired, begins to be constructed or is held under contract between 13 December 2009 and 30 June 2009, and installed for use by 30 June 2010; or
- 10% if acquired, constructed or held between 1 July 2009 and 31 December 2009, and installed before 31 December 2010.

Small businesses with an annual turnover of less than \$2m would qualify for the concessions. Other businesses would also be entitled to the same concessions, but only for eligible assets costing greater than \$10,000.

We have provided general information for guidance only in this newsletter. For business and personal taxation planning, or other professional advice having regard to your circumstances, please come and see either Charles or Matthew.

Eligible Assets

Assets eligible for the additional depreciation deductions would be new tangible assets and new expenditure on existing assets used in carrying on a business, that qualify for deductions under certain core provisions of Subdiv 40-B for depreciating assets.

Exclusions

Excluded from the concessions would be intangibles and certain rights deductible under s 40-30(2), (5) and (6), as well as concessional-tax assets depreciable under other subdivisions of Div 40. It is advised that cars would not be disqualified from the allowance merely because they use the 12% method.

Excluded assets include:

- In-house software;
- Land and trading stock;
- Mining, quarrying and prospecting rights;
- Low Value Pools, Software Development Pools and Project Pools; and
- Water facilities, horticultural plants, landcare operations and electricity connections.

We have provided general information for guidance only in this newsletter. For business and personal taxation planning, or other professional advice having regard to your circumstances, please come and see either Charles or Matthew.



"Additional to" regular allowances

The bonus deductions would be additional to regular depreciation deductions available under the existing capital allowance provisions of Div 40. The additional respective bonus rates of 30% and 10% would be claimable on an eligible asset's first and/or second element cost, in the year it was installed ready for use.

An adaption of the worked example provided in a government press release is provided below:

A landscaping business acquires a backhoe under binding contract for \$60,000 (all inclusive) on 20 May 2009. The backhoe is delivered and held ready for use on 30 June 2009, and has a 9 year effective life.

The backhoe is eligible for the 30% bonus depreciation deduction as it:

- Is a depreciating asset for which depreciation can be claimed under Subdiv 40-B;
- Costs more than \$10,000;
- Is held ready for use between 13 December 2008 and 30 June 2009; and
- Is installed ready for use before 30 June 2010.

In addition to the tax depreciation deduction claimable for the backhoe under existing Subdiv 40-B, the business can claim an additional depreciation deduction of \$18,000 (calculated as 30% x \$60,000) in the 2009 income year.

Treasury has advised that it will release draft legislation on the investment allowance for public consultation later this month.

We have provided general information for guidance only in this newsletter. For business and personal taxation planning, or other professional advice having regard to your circumstances, please come and see either Charles or Matthew.