



Corporate & International Tax

Investment allowance passes Parliament

Taxpayers now have certainty - but the clock is ticking!

BDO Kendalls is a leading provider of corporate tax solutions. We know each of our clients is distinctively different - their need for innovative tax thinking drives our approach.

The investment allowance legislation passed the Senate on 14 May 2009, with the amendments for small business entities announced recently in the Federal Budget.

The provisions apply to acquirers of new tangible depreciating assets used for business purposes. The scheme can apply to improvements to existing assets, as well as to new assets.

How is it applied?

Small businesses

Broadly, small businesses are those with a turnover under \$2m per year. The scheme applies to them as follows:

- assets costing more than \$1,000 which are acquired under a contract entered between 13 December 2008 and 31 December 2009 will be eligible for an additional 50% tax deduction so long as the asset is installed ready for use by 31 December 2010.

All other businesses

All other businesses must apply these criteria:

- assets costing more than \$10,000 which are acquired under a contract entered between 13 December 2008 and 30 June 2009 will be eligible for an additional 30% tax deduction so long as the asset is installed ready for use by 30 June 2010; and
- assets costing more than \$10,000 which are acquired under a contract entered between 1 July 2009 and 31 December 2009 will be eligible for an additional 10% tax deduction so long as the asset is installed ready for use by 31 December 2010.

The deduction is claimed in the tax return for the year in which the asset is first held ready for use.



Other matters to note about the investment allowance include:

- The deduction is in addition to the ordinary depreciation deductions for the asset and does not affect the written down value of the asset for tax purposes.
- Where several assets are acquired which are individually below the threshold cost, but where the assets are either identical, substantially identical, or all part of a set, then the costs of those assets can be aggregated for the purposes of calculating whether the threshold cost is met.
- The asset must be principally for use in Australia, for the principal purpose of carrying on a business.

BDO Kendalls' comment

The Senate is to be congratulated for swiftly passing the amended Bill. Although the legislation is yet to receive Royal Assent and officially become law, taxpayers now have certainty as to the application of the investment allowance.

This is particularly important for businesses other than small businesses, because of the need to enter into a contract to acquire the asset before 1 July 2009 in order to be eligible for the 30% deduction.

For further information on how our Corporate & International Tax team can assist with solutions for your organisation, please phone us on the number below or visit our website.

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