



Investment Allowance

A Business Tax Incentive

June 09

The Government has announced an investment tax break for business in the form of an “Investment Allowance”.

The necessary legislation has finally been introduced to Parliament but is not yet law. It is now expected that the legislation will be passed without substantial changes. The Investment Allowance is an incentive for businesses to spend money upgrading their plant and equipment and is in the form of an extra tax deduction on top of normal depreciation.

The key elements of the concession are as follows:

- The assets purchased must be “New” tangible assets
- Ineligible assets include second hand items, trading stock, land, buildings subject to the building allowance and intangible assets (e.g. computer software)
- New motor vehicles (but not all demonstrators) are eligible assets but the Investment Allowance is limited to the depreciation cost limit (currently \$57,180)
- New expenditure on existing assets may also qualify
- You are able to aggregate the cost of identical or substantially identical assets to meet the requisite investment threshold including assets forming part of a set (i.e. items that are dependent on each other, marketed as a set, or designed and intended to be used together)
- The assets must be owned by the taxpayer (i.e. be careful of leasing an asset as the leasing company generally owns the asset and would be entitled to the concession not you!)
- The Investment Allowance is in addition to normal depreciation
- The assets purchased must be used principally in Australia and predominately for business purposes (i.e. assume over 50% business use is required)
- The Investment Allowance deduction is available in the year the eligible assets are installed ready for use
- There is no apportionment of the Investment Allowance between business and private use (you are either entitled to the extra deduction or not)
- The Investment Allowance is a once only deduction and there is no clawback on disposal of the asset
- The Investment Allowance is a tax adjustment in your tax return and will not be reflected in your financial statements.

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