

## Iden Leasing - 50% Investment Allowance

On Budget night the Government announced that it would expand the Investment Allowance available for small businesses<sup>7</sup> i.e. those businesses that have a turnover (including associates) of less than \$2 million a year<sup>7</sup> by increasing the deduction available for these businesses to 50% of the cost of eligible assets.

The Tax Bill implementing these changes has now passed both Houses of Parliament and is awaiting Royal Assent.

### **The benefit of this tax deduction for businesses provides a strong incentive to invest in new assets prior to December 31, 2009.**

An example of how a business can benefit using chattel mortgage or Commercial Hire Purchase (CHP) finance to purchase an asset of \$40,000 before June 30, 2009 is as follows:

- An additional \$20,000 tax deduction being the investment allowance for the 2008 – 2009 &/or 2009 -2010 financial years.
- \$4,000 input tax credit being for the GST paid on the purchase of the asset (where applicable)
- Depreciation tax deductions as allowed for the particular asset at the price being purchased
- Tax deduction on the interest as allowed under current tax law
- No requirement for deposit funds or a cash outlay

**This is a great opportunity for businesses to update their business cars, machinery and equipment and take advantage of the extra tax deduction.**

**The window of opportunity is small – Businesses have until December 31, 2009**

Here are some details:

#### **1. On what asset purchases can I get the investment allowance for?**

Tangible, depreciating assets for tax purposes such as:

- New and demonstrator cars (except those using the 'cents per kilometer' method), equipment and machinery

#### **2. What assets purchases can't I get the investment allowance for?**

- Intangible assets such as computer software and intellectual property rights
- Cars using the 'cents per kilometer' method
- Land, trading stock, horticultural plants, establishment of carbon sinks
- Capital works-buildings, construction expenditure
- Second hand assets are not eligible for the investment allowance.

#### **3. The investment allowance is only available for new assets. What assets are considered to be 'new'?**

The asset must never have been installed, ready for use by the taxpayer or another entity for any purpose, anywhere prior to 12 December 2008

#### **5. Who gets the bonus deduction?**

The bonus deduction can be claimed by the taxpayer that is entitled to tax deductions for the depreciation of the particular asset.

## 6. Is there a minimum spend requirement?

Small businesses must spend at least \$1,000 on each new asset in order for the investment allowance to apply and any other taxpayers must spend at least \$10,000.

## 7. When does the 50%, 30% or 10% additional deduction apply?

### Small business entities

Installed by:	New investment by:
	31 December 2009
30 June 2009	50% in 2008-09
30 June 2010	50% in 2009-10
31 December 2010	50% in 2010-11

### All other taxpayers

Installed by:	New investment by:	
	30 June 2009	31 December 2009
30 June 2009	30% in 2008-09	
30 June 2010	30% in 2009-10	10% in 2009-10
31 December 2010	10% in 2010-11	10% in 2010-11

## 8. What happens if I subsequently sell the asset?

You can still get the investment allowance if you subsequently dispose of the asset. This is provided that you can demonstrate at the time the asset was installed ready for use that the asset was to be used in Australia and for the purpose of carrying on a business.

## 9. What happens if I stop using the asset for business purposes?

You can still get the investment allowance if you stop using the asset for business purposes. This is provided that you can demonstrate at the time the asset was installed ready for use that the asset was to be used in Australia and for the purpose of carrying on a business.

### Disclaimer:

Please note that this is not financial or taxation advice. The legislation to formalise this proposed allowance has been enacted and consequently the availability of this allowance can be relied upon. Iden makes no representation or warranty that any enabling legislation will be enacted whether in a form consistent with that described above or otherwise, and hereby disclaims any and all liability. You are advised to seek independent professional advice specific to their circumstances in connection with the proposed allowance.