

FACT SHEET

**INVESTMENT ALLOWANCE BONUS FOR SMALL BUSINESS – UPDATED FOR
2009 BUDGET ANNOUNCEMENTS**

***Note: This legislation has not yet been passed by Parliament.
as at 14 May 2009, the detail of this legislation is being debated in the House of
Representatives.***

Every business operator is interested in making the most of the business investment allowance announced by the Government in the economic stimulus package. Following are some of the key points of the investment bonus proposal:

How does the bonus work?

- For businesses with a turnover of less than \$2 million, assets costing more than \$1,000 and purchased between 13 December 2008 and 31 December 2009 are eligible for a bonus depreciation deduction of 50% of the asset's value.

What type of assets does the bonus apply to?

- The allowance applies to tangible depreciating assets that you would ordinarily acquire in the course of your business.
- Where an asset is used partly for business and partly for private purposes, only the business portion will be eligible for the bonus tax deduction.
- The investment allowance will be confined to new assets and new expenditure on existing assets used in Australia. Assets that have previously been used or held for use are not eligible for the bonus. Therefore, second hand equipment will not be eligible for the investment bonus.
- Land and trading stock are excluded from the definition of depreciating assets and therefore, will not qualify for the bonus deduction.
- Assets depreciated under the capital works provisions (Division 43) will not qualify for the investment allowance.
- The luxury car depreciation limit will apply to the bonus depreciation deduction. Therefore, the depreciable cost of any car purchased will be capped to \$57,180.

What if I finance the equipment purchase?

Whether or not you can claim the investment allowance on leased equipment comes down to who the law defines as ‘holding’ the asset. Generally speaking, equipment purchased under an equipment loan, hire purchase or chattel mortgage will be eligible for the bonus depreciation deduction. Leased assets will not be eligible for the bonus deduction.

We recommend that you contact your dbsn accountant to discuss the best finance option for you from a tax perspective.

How do I claim the investment allowance?

The investment allowance will be claimed via the business income tax return in the form of an additional tax deduction.

Large Businesses

For businesses with a turnover of more than \$2 million, the asset purchased needs to cost \$10,000 or more. Large businesses will be entitled to an investment allowance bonus of 30%.