



TAX CONCESSIONS FOR CAPITAL INVESTMENT

COVID-19 RESPONSE



FEDERAL

The following concessions are available in relation to business capital investment for depreciating assets and apply from 12 March 2020 to all businesses with an annual aggregated turnover of up to \$500 million:

INCREASING THE INSTANT ASSET WRITE-OFF

Summary

The Government is increasing the instant asset write-off (IAWO) threshold from \$30,000 to \$150,000 and expanding access to include all businesses with aggregated annual turnover of less than \$500 million (up from \$50 million) until 30 June 2020. In 2017-18 there were more than 360,000 businesses that benefited from the current IAWO, claiming deductions to the value of over \$4 billion.

The IAOW Threshold

The higher IAOW threshold provides cash flow benefits for businesses that will be able to immediately deduct purchases of eligible assets each costing less than \$150,000. The threshold applies on a per asset basis, so eligible businesses can immediately write-off multiple assets.

The IAOW is due to revert to \$1,000 for small businesses (turnover less than \$10 million) from 1 July 2020.

Eligibility

The Government is expanding access so that more businesses can take advantage of the IAOW. The annual turnover threshold for businesses is increasing from \$50 million to \$500 million. Expanding the threshold will mean an additional 5,300 businesses who employ around 1.9 million Australians will be able to access the IAOW for the first time.

Timing

This proposal applies from announcement until 30 June 2020, for new or second-hand assets first used or installed ready for use in this timeframe.

HOW TO APPLY

There is no application in relation to Instant Asset Write-Off. The asset must be used or in store ready for use, on or before 30 June 2020.



02 9970 5267



paul.bailey@northernbeachesaccountants.com.au



<https://www.northernbeachesaccountants.com.au/>



TAX CONCESSIONS FOR CAPITAL INVESTMENT

COVID-19 RESPONSE



FEDERAL

FAQS

Can you buy a car with the instant tax write-off?

Yes, you can purchase a business vehicle and claim it this financial year as long as it is less than the threshold.

What do I do with assets that cost more than the threshold?

You cannot immediately claim these assets, and you will need to add these to your small business pool.

Can I claim depreciation on assets that I instantly write off?

No, you cannot claim depreciation in later years on assets that you immediately write off.

Can I instantly claim multiple assets?

Yes. You can claim multiple assets as long as they meet the criteria.

What does this mean?

Businesses with a turnover of less than \$500 million will be able to deduct 50% of the cost of the asset in the year of purchase. They can also claim a further deduction in that year by applying the normal depreciation rules to the balance of the asset's cost. This will presumably only be relevant if the business cannot already claim an immediate deduction for the full cost of the asset.

What assets does this apply to?

This incentive will only be available in relation to new assets that are acquired after 12 March 2020 and are first used or installed ready for use by 30 June 2021.

What assets are not included?

It will not apply to second-hand assets or buildings and other capital works expenditure.



02 9970 5267



paul.bailey@northernbeachesaccountants.com.au



<https://www.northernbeachesaccountants.com.au/>



TAX CONCESSIONS FOR CAPITAL INVESTMENT

COVID-19 RESPONSE



FEDERAL

BACKING BUSINESS INVESTMENT (BBI)

Summary

The Government is introducing a time limited 15-month investment incentive to support business investment and economic growth over the short-term, by accelerating depreciation deductions.

The key features of the incentive are:

- ▶ Benefit — deduction of 50 per cent of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost.
- ▶ Eligible businesses — businesses with aggregated turnover below \$500 million; and
- ▶ Eligible assets — new assets that can be depreciated under Division 40 of the Income Tax Assessment Act 1997 (i.e. plant, equipment and specified intangible assets, such as patents) acquired after announcement and first used or installed by 30 June 2021. Does not apply to second-hand Division 40 assets, or buildings and other capital works depreciable under Division 43.

Eligibility

Businesses with aggregated turnover below \$500 million, purchasing certain new depreciable assets.

Timing

Applies to eligible assets acquired after announcement and first used or installed by 30 June 2021.

HOW TO APPLY

There is no application in relation to the Backing Business Investment (BBI). The asset must be acquired from 12 March 2020 and first used or installed by 30 June 2021.



02 9970 5267



paul.bailey@northernbeachesaccountants.com.au



<https://www.northernbeachesaccountants.com.au/>



TAX CONCESSIONS FOR CAPITAL INVESTMENT

COVID-19 RESPONSE



FEDERAL

FAQS

Am I eligible to apply?

To be eligible for accelerated depreciation:

- ▶ The business must have an aggregated turnover of less than \$500 million
- ▶ The asset must be a new depreciating asset acquired and first used, or installed ready for a business use, from 12 March 2020 until 30 June 2021
- ▶ The business must not have already applied other depreciation deductions or the instant asset write off.

You apply accelerated depreciation by deducting 50% of the cost (or adjustable value where applicable) of the depreciating asset. You then add the amount of the usual depreciation deduction but calculated after first offsetting a decline in value of 50%.

Alternatively, you may choose to apply the instant asset write-off, if the asset costs less than \$150,000.

What are eligible assets?

To be eligible to apply the accelerated rate of deduction, the depreciating asset must:

- ▶ Be new and not previously held by another entity (other than as trading stock)
- ▶ Be first held on or after 12 March 2020
First used or first installed ready for use for a taxable purpose on or after 12 March 2020 until 30 June 2021
- ▶ Not be an asset to which an entity has applied the instant asset write-off rules or depreciation deductions.

Eligible assets do not include:

- ▶ Second-hand depreciating assets
- ▶ Some specific Division 40 assets subject to low value and software development pools
- ▶ Certain primary production assets
- ▶ Buildings and other capital works for which you can deduct amounts under Division 43
- ▶ Other specific capital asset and expense deductions
- ▶ Assets you were committed to acquiring before 12 March 2020.



02 9970 5267



paul.bailey@northernbeachesaccountants.com.au



<https://www.northernbeachesaccountants.com.au/>