

# New Small Business and General Business Tax Break

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Recently we reported that the Government had announced that it would introduce a temporary 'investment allowance', providing an additional 10% deduction for tangible depreciating assets acquired between 13 December 2008 and 30 June 2009.

The Government has now 'upped the ante', increasing both the amount and the scope of this allowance.

The Treasurer has stated that the Government will introduce an investment tax break for all Australian businesses, which it is calling the 'Small Business and General Business Tax Break'.

## Small businesses

Small businesses can claim an additional 30% tax deduction for eligible assets costing \$1,000 or more that they acquire from 13 December 2008 to 30 June 2009, and install by 30 June 2010.

For eligible assets costing \$1,000 or more that they acquire from 1 July 2009 to 31 December 2009, they can claim a 10% deduction where they are installed by 31 December 2010.

This deduction is on top of the usual capital allowance deduction (i.e., depreciation) claimable for the asset in the taxpayer's income tax return.

To benefit from this tax break a small business must have a turnover of \$2 million a year or less.

## Other businesses

Other businesses can receive the same deductions for eligible assets greater than \$10,000.

### Which assets are eligible?

Assets eligible for the allowance are most new tangible depreciating assets and new expenditure on existing assets used in carrying on a business.

Land and trading stock *are* excluded from the definition of depreciating assets, and will not qualify for the deduction.

### Example

A small business that buys and installs a \$2,000 computer before the end of June 2009 can claim an additional \$600 deduction (i.e., 30%) in its 2008/09 tax return.