

# Temporary Investment Allowance

A 10% Temporary investment allowance was announced by the Federal Government on 12 December 2008. On 3 February 2009 this allowance was increased to 30% and some of the eligibility conditions relaxed. At this stage we do not have the full details of the concession as the legislation has not been released. However, below we have summarised some of the details we do have in the Government's press releases.

## Types of eligible assets

- The allowance can be claimed for spending on new tangible assets and new expenditure on existing assets but does not include the acquisition of second hand assets.
- The press release indicates that new motor vehicles are eligible for the allowance but it also appears that the eligible cost would be confined to the luxury car limit.
- The assets must be used in Australia in carrying on a business for which a depreciation deduction is available under subdivision 40B.

It excludes capital works, such as land and buildings, trading stock, and intangible assets and rights. It appears software will not be eligible.

We have been informed by Treasury that the assets that are depreciated under the small business pooling method instead of under subdivision 40B will be eligible (provided all other conditions are met).

- Assets that are used only partly for income producing use will be eligible but only to the extent that it is to be used for a taxable purpose. It is not clear whether there will be some form of claw back if the actual use of the assets is not for a taxable purpose or the use changes.

## Tax deduction increased from 10% to 30% on assets ordered by 30 June 2009

The investment allowance rate was originally announced to be 10%. This has been increased to 30% for assets that are acquired, or construction commenced after 12 December 2008 and before 1 July 2009 and installed by 30 June 2010.

## 10% investment allowance extended to 31 December 2009

In the original announcement the cut off for acquiring or commencing construction of assets for the investment allowance was 30 June 2009 (and installed ready for use by 30 June 2010). This has been extended to 31 December 2009 (and installed ready for use by 31 December 2010) but the rate of investment allowance for assets acquired or commenced construction between 1 July 2009 and 31 December 2009 will remain at 10%.

## Small business asset threshold decreased from \$10,000 to \$1,000

To be eligible for the investment allowance as previously announced, assets had to have a value of over \$10,000. The press release says this has been relaxed to \$1,000 or more per asset for small businesses that have an annual turnover of \$2 million or less. For other businesses the threshold remains at over \$10,000 per asset.

## Acquisition date

The press releases refer to the assets having to be acquired by either 30 June 2009 (30% rate) or 31 December 2009 (10% rate) but we understand that where an asset is acquired under a contract, the date of entering into the contract must be before these dates. This will usually be the date the assets is ordered but you need to look at all the conditions of the order/contract to be certain.

