



Government Investment Allowance FAQs

Has the Government Investment Allowance been passed by parliament?

Yes. The Small Business and General Business Tax Break legislation has received Royal Assent and is now law.

What is the investment allowance, who qualifies and what are the thresholds?

The tax break, in the form of an investment allowance, provides;

Small business entities (turnover of less than \$2 million a year):

An additional tax deduction of 50 per cent of the cost of eligible new tangible depreciating assets where the business commits to investing in the asset between 13 December 2008 and 31 December 2009 and first uses the asset, or installs it ready for use, or (in the case of new investment in an existing asset) brings the asset to its modified or improved state on or before 31 December 2010.

Other business entities (turnover of \$2 million or more a year):

An additional tax deduction of 30 per cent of the cost of eligible new tangible depreciating assets where the business commits to investing in the asset between 13 December 2008 and 30 June 2009 and first uses the asset, or installs it ready for use, or brings the asset to its modified or improved state on or before 30 June 2010.

An additional tax deduction of 10 per cent of the cost of eligible new tangible depreciating assets where the business commits to investing in the asset between 13 December 2008 and 30 June 2009 and first uses the asset, or installs it ready for use, or brings the asset to its modified or improved state between 1 July 2010 and 31 December 2010.

An additional tax deduction of 10 per cent of the cost of eligible new tangible depreciating assets where the business commits to investing in the asset between 1 July 2009 and 31 December 2009 and first uses the asset, or installs it ready for use, or brings the asset to its modified or improved state on or before 31 December 2010.*

When can I claim for eligible asset purchases from?

You can claim for eligible purchases made after the 13 December 2008.

In what year do they base your assessable income?

It is based on the prior taxable year and adjusted for the current year.

When are you entitled claim for the tax deduction?

You are entitled to claim for the tax deduction in the year that you start using the capital asset.

How do I claim my tax deduction?

Your tax deduction can be claimed in your normal yearly tax return.

What if I am in a tax loss situation?

The tax break provides a bonus tax deduction – it is not a rebate or a refundable tax offset. To the extent that you are in a tax loss situation for the income year that you claim the Tax Break, the bonus deduction will form part of that loss.^

How much do I have to spend to qualify for the Tax deduction?

- Depreciating asset must have a capital value of \$10,000 if a business has an assessable income greater than \$2 million.
- Depreciating asset must have a capital value of \$1,000 if a business has an assessable income less than \$2 million.

What assets can receive the tax deduction?

- New assets only.
- A depreciating asset.

Are second-hand assets eligible?

The Tax Break is not available for second-hand assets. This ensures that the Tax Break is carefully targeted toward new investment that will upgrade and extend our economy's productive capacity and prepare the ground for economic recovery.^

Legislation: Schedule 1, item 4, section 41-20

Explanatory memorandum: Paragraph 1.2 and paragraphs 1.57-1.60

What if I need to test or trial my assets?

This is allowed but there are limitations.

What costs can be included in a depreciating asset?

- Improvement of an existing asset*
- Installation costs of the asset*
- Construction costs of the asset*
- Labour costs of the asset*

What costs are not claimable?

- Repairs are unlikely to be claimable.
- Software
- Trading Stock
- Building construction
- Land

Can I claim the tax rebate on items that I lease or rent?

Whoever is the holder of the asset or claims depreciation for the asset, is generally the entity that is entitled to the investment allowance.

How does the Tax Break apply to batches and sets of assets?

You can aggregate your investment in assets that are identical, or



*Limitations and guidelines apply to these claimable components. Please refer to www.ato.gov.au

^ATO – Small business and general business tax break – Frequently asked questions, Version 2, 19 March 2009.



substantially identical, and in assets that form a set for the purposes of meeting the relevant threshold.

Whether assets form a set will need to be determined on a case by case basis. Items may be regarded as a set if they are dependent on each other, marketed as a set, or designed and intended to be used together.

The ATO can assist you in understanding whether certain assets form a set or are substantially identical (see www.ato.gov.au).[^]

*Legislation: Schedule 1, item 4, paragraph 41-10(4)(b)
Explanatory memorandum: Paragraphs 1.80-1.83
Eg*

- Twenty radios worth \$600 can be batched to meet the \$10,000 threshold and
- A radio, a remote speaker mic and a spare battery can be classed as an interdependent asset.
- A lawn mower and leaf blower are not interdependent so therefore cannot be batched to reach the asset value.

Do I need to satisfy the threshold for every investment I make in an asset?

The legislation allows you to aggregate multiple investments in an individual eligible asset for the purposes of meeting the threshold. When you have met the relevant threshold once in relation to an individual asset, all subsequent investments that you make in the asset, in accordance with the qualifying dates, as per question 2 of this document, will qualify for the Tax Break.

However, as a general rule, you cannot aggregate your investments in multiple, different assets for the purposes of meeting the threshold – even if you intend to use them in a similar setting or for a similar purpose.[^]

*Legislation: Schedule 1, item 4, section 41-20
Explanatory memorandum: Paragraphs 1.118-1.122*

Does it matter when I pay for the asset?

The payment date does not affect your claim. Contract date and usage dates are the only dates that will affect your claim.

What are the installation deadlines?

Small business entities will be able to claim a bonus tax deduction of 50 per cent for eligible assets costing \$1,000 or more (exclusive of GST) that they:

- commit to investing in between 12:01am AEDT 13 December 2008 and 31 December 2009; and
- start to use or have installed ready for use by 31 December 2010.

To qualify for the 50 per cent rate you need to meet the definition of a small business entity in section 328-110 of the Income Tax Assessment Act 1997 (ITAA 1997). This generally means that the taxpayer is carrying on a business and has an annual turnover of \$2 million or less.

Other businesses will be able to claim a bonus deduction of 30 per cent for eligible assets costing \$10,000 or more (exclusive of GST)

This information is provided as a guide only and all interested customers or dealers should seek their own independent tax advice.

^{*}Limitations and guidelines apply to these claimable components. Please refer to www.ato.gov.au
[^]ATO – Small business and general business tax break – Frequently asked questions, Version 2, 19 March 2009.

that they:

- commit to investing in between 12:01am AEDT 13 December 2008 and 30 June 2009; and
- start to use or have installed ready for use by 30 June 2010.

Other businesses will be able to claim a bonus deduction of 10 per cent for eligible assets costing \$10,000 or more (exclusive of GST) that they:

- commit to investing in between 1 July 2009 and 31 December 2009; and
- start to use or have installed ready for use by 31 December 2010.

Businesses can commit to investing in an asset by:

- entering into a contract under which they will hold the asset; or
- starting to construct the asset.

All businesses can aggregate their investment in batches of assets that are identical, or substantially identical, and in sets of assets for the purposes of meeting the relevant new investment threshold (\$1,000 or \$10,000).^{*}

What about assets acquired before 13 December 2008?

You will not be able to claim the Tax Break if you entered into a contract to acquire an eligible asset, or start to construct it, prior to 13 December 2008. This ensures that only investments committed in light of the announcement of the temporary investment allowance on 12 December 2008 can qualify.[^]

*Legislation: Schedule 1, item 4, section 41-15, Paragraphs 41-20(1)(b)
Explanatory memorandum: Paragraphs 1.4-1.7*

What if I have the option to acquire a new asset that I haven't exercised yet?

If, prior to 13 December 2008, you entered into a contract that included an option to acquire an eligible asset at a later point in time and if that option is exercised on or prior to the end dates for each category (see question 2 for breakdown) you may still be able to claim the Tax Break. This approach ensures that the Tax Break provides an incentive not to delay or defer capital spending in the short-term.[^]

*Legislation: Schedule 1, item 4, subsection 41-25(4)
Explanatory memorandum: Paragraphs 1.108-1.109*

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