

Investment Allowance



The latest stimulus package, which has now passed through the parliamentary process, had further good news for business operators, which is the 30% investment allowance.

Under the rules set out in the stimulus package, a small business (ie. one with less than \$2 million turnover per annum) can obtain an investment allowance on the purchase of an asset in excess of \$1,000. This new allowance replaces the 10% investment allowance announced last year. In addition to the investment allowance, the business is also able to claim the normal depreciation deduction over the effective life of the asset.

This allowance will be claimed as an additional deduction in

the tax return for the year in which the asset is installed. The asset must be purchased between 13 December 2008 and 30 June 2009, and installed ready for use by 30 June 2010.

By way of an example, if a company purchased an asset on 1 March 2009 for \$20,000 and that asset was installed ready for use by 30 June 2009, the company would obtain a tax advantage of \$1,800, ie. 30% of the asset cost of \$20,000 at the company tax rate of 30%.

This part of the stimulus package will work for a business that needs to replace an asset and can bring that purchase forward to prior to 30 June 2009 to claim the investment allowance.



Should you wish to discuss how this allowance may benefit your business, contact Sid Edwards, Senior Partner, at Abby Practice on 9476 0399.