

Investment Allowance: small business and general business tax break

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

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.

Generally, a business 'commits' to investing when: it enters into a contract under which the asset will be held or improved; it starts to construct the asset or improvement; or starts to hold the asset in some other way.

Small businesses entities can claim the 50% deduction for investments in eligible assets of \$1,000 or more.

For other businesses, a minimum expenditure threshold of \$10,000 applies to be eligible to claim the 30% or 10% deduction.

The cost of items forming part of a set and the cost of identical or substantially identical assets may be added together for the purposes of meeting the thresholds.

All assets must be used principally in Australia for the principal purpose of carrying on a business and meet certain eligibility criteria.

Provided all of the eligibility criteria are satisfied for the income year, the tax break can be claimed as a tax deduction in the income tax return for the income year in which the asset is first used or installed ready for use.

The new tax return label is called 'Small Business and General Business Tax Break' and will be available in return forms relating to the 2009 and later relevant years.

Press release

For more information see the Treasurer's joint [Media Release No. 061](#) with the Minister for Small Business Independent Contractors and the Service Economy of 12 May 2009 which announces the Small Business Tax Break Boost.

A further Treasurer's [Media Release No. 019](#) announcing the release of draft legislation was issued on 25 February 2009.

Also see the Treasurer's joint [Media Release No. 013](#) with the Prime Minister and the Minister for Small Business of 3 February 2009.

This joint Media Release superseded the Treasurer's [Media Release No. 141](#) of 12 December 2008.

Legislation and supporting material

Copies of the Bill and associated Explanatory Memorandum are available: [Tax Laws Amendment \(Small Business and General Business Tax Break\) Bill 2009](#).

A link to the Act, rather than the Bill, will be provided shortly.

Further information

For more information, including a guide to small business and general business tax break, see the [Small business and general business tax break](#) topic page.

Please note that general business taxpayers (ie turnover of \$2 million or more) only have until 30 June 2009 to be eligible for the 30% bonus deduction.

For taxpayers and/or advisers who wish to speak to a senior tax officer about seeking advice on significant transactions or arrangements in order to satisfy the 30 June deadline, please contact:

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