

A silhouette of a row of wind turbines against a blue sky with light clouds. The turbines are evenly spaced and extend across the width of the page.

# Technical update

## Corporate & International Tax

### Extension to the investment allowance

*Government increases the incentive to invest in new plant*

As part of the new economic stimulus package the Treasurer announced an extension to the investment allowance scheme.

Previously, the scheme supplied an additional, immediate deduction of 10% for expenditure of more than \$10,000 (per asset) on depreciating assets where the expenditure was under a contract entered between 13 December 2008 and 30 June 2009 and the asset was held ready for use by 30 June 2010.

#### The extended scheme

The scheme now applies as follows:

- Assets costing more than the eligibility threshold which are acquired under a contract entered between 13 December 2008 and 30 June 2009 will be eligible for an additional, immediate 30% tax deduction so long as the asset is installed ready for use by 30 June 2010.
- Assets costing more than the eligibility threshold which are acquired under a contract entered between 1 July 2009 and 31 December 2009 will be eligible for an additional, immediate 10% tax deduction so long as the asset is installed ready for use by 31 December 2010.

The eligibility threshold is \$1,000 for small business entities (broadly those with a turnover under \$2m per year) and is \$10,000 for all other businesses.

As in the previous scheme, the provisions only apply to tangible depreciating assets used for business purposes. The scheme can apply to improvements which cost more than the threshold to existing assets, as well as to new assets.

The deduction is claimed in the tax return for the year in which the asset is first held ready for use.

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## BDO Kendalls' comment

Although there are some grey areas that may cause difficulties for some taxpayers – especially whether particular capital expenditure is for numerous small items of plant, or one functionally discrete larger item that meets the eligibility threshold – the new tax concession is attractive. At the 30% rate it equates to a tax benefit of 9 cents in every dollar of capital expenditure.

We strongly suggest that businesses seriously consider bringing forward expenditure on new plant or equipment to take advantage of the additional tax break. In particular, if you are considering a large capital expenditure program, letting the contract in the near future may give you an additional, immediate tax deduction of 30% of the capital cost of the expenditure.

*For further information on how our Corporate & International Tax team can assist with solutions for your organisation, please contact your usual business adviser on the number below or visit our website.*

## More information

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