



## AUTOMOTIVE UPDATE

### ACCELERATED DEPRECIATION OF MOTOR VEHICLES FOR SMALL BUSINESS

On behalf of our valued client, BDO has prepared this information which may be useful for you to evaluate your eligibility for this incentive.

#### Accelerated depreciation

Small businesses will be able to claim an immediate deduction for new and used vehicles they purchase, where the cost is less than \$20,000 (\$22,000 inc GST), subject to business use.

The \$20,000 threshold will apply to new and used vehicles acquired and installed ready for use between 13 May 2015 and 30 June 2017. From 1 July 2017, the thresholds revert back to the existing arrangements.

Vehicles valued at \$20,000 or more will not be immediately deductible. However, they may be placed in the small business depreciation pool and depreciated at 15% in the first year and 30% in subsequent years. The pool can be immediately deducted if the balance falls below \$20,000 over the period (including existing pools).

#### What is a small business

Generally, a small business is one with an aggregated turnover of less than \$2million.

#### What is the tax benefit?

A small business will be able to accelerate a deduction for depreciation of up to \$20,000.

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#### EXAMPLE

You are a small business entity who is registered for GST and you purchase a new or used car with a GST inclusive value of \$21,999 (\$19,999 ex GST). The vehicle is purchased and used 100% in the business on 30 June 2015. You are a small business entity and accordingly you will be entitled to an immediate deduction of \$19,999. You will also be able to claim a GST input credit of \$1,999. No further depreciation deductions available over life of the vehicle.

## TAX SAVINGS READY RECKONER

Vehicle Cost (inc GST)	Vehicle Cost (ex GST)	Immediate Tax Deduction	GST Input Tax Credit Refunded	TAX YEAR		TAX YEAR	
				30/06/15	Post 30/06/16 to 30/06/17	30/06/15	Post 30/06/16 to 30/06/17
				Tax / Cash Savings @ 30%	Tax / Cash Savings @ 28.5%	Net Vehicle Cost	
\$5,500	\$5,000	\$5,000	\$500	\$1,500	\$1,425	\$3,500	\$3,575
\$6,600	\$6,000	\$6,000	\$600	\$1,800	\$1,710	\$4,200	\$4,290
\$7,700	\$7,000	\$7,000	\$700	\$2,100	\$1,995	\$4,900	\$5,005
\$8,800	\$8,000	\$8,000	\$800	\$2,400	\$2,280	\$5,600	\$5,720
\$9,900	\$9,000	\$9,000	\$900	\$2,700	\$2,565	\$6,300	\$6,435
\$11,000	\$10,000	\$10,000	\$1,000	\$3,000	\$2,850	\$7,000	\$7,150
\$12,100	\$11,000	\$11,000	\$1,100	\$3,300	\$3,135	\$7,700	\$7,865
\$13,200	\$12,000	\$12,000	\$1,200	\$3,600	\$3,420	\$8,400	\$8,580
\$14,300	\$13,000	\$13,000	\$1,300	\$3,900	\$3,705	\$9,100	\$9,295
\$15,400	\$14,000	\$14,000	\$1,400	\$4,200	\$3,990	\$9,800	\$10,010
\$16,500	\$15,000	\$15,000	\$1,500	\$4,500	\$4,275	\$10,500	\$10,725
\$17,600	\$16,000	\$16,000	\$1,600	\$4,800	\$4,560	\$11,200	\$11,440
\$18,700	\$17,000	\$17,000	\$1,700	\$5,100	\$4,845	\$11,900	\$12,155
\$19,800	\$18,000	\$18,000	\$1,800	\$5,400	\$5,130	\$12,600	\$12,870
\$20,900	\$19,000	\$19,000	\$1,900	\$5,700	\$5,415	\$13,300	\$13,585
\$21,999	\$19,999	\$19,999	\$2,000	\$6,000	\$5,700	\$13,999	\$14,299

\* Note this assumes the Small Business entity is a company, is registered for GST and the car has 100% business use.

### BDO COMMENT

If you have any queries in regards to the depreciation of motor vehicles for small businesses please contact BDO who will have one of their Automotive specialists assist you.

Please note this information is general in nature and should not be used as a substitute for your own professional advice. Any tax benefit that may be available will be subject to your own circumstances.

### MORE INFORMATION

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