



# SMALL BUSINESS

## Small Business Tax Break

### Key Points

- Small businesses with turnover of less than \$2.0 million per annum will be able to claim an increased bonus tax deduction – 50 per cent of the cost of eligible assets acquired before 31 December 2009.
- For the period 13 December 2008 to 30 June 2009 the increase in the deduction is from 30 per cent to 50 per cent. For the period 1 July 2009 to 31 December 2009 the increase is from 10 per cent to 50 per cent.
- This enhancement to the Tax Break provides small businesses with an even greater incentive to invest in new capital items such as computer hardware and business vehicles, and to undertake capital improvements to existing machinery and equipment.
- This measure will assist in stimulating economic activity and provide additional support for Australian jobs.

### Facts and Figures

- The enhancement will cost \$141.0 million over the forward estimates.

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- Small businesses can claim a bonus 50 per cent tax deduction for eligible assets costing \$1,000 or more acquired from 13 December 2008 until 31 December 2009, and installed ready for use by 31 December 2010.
- This is up from 30 per cent announced earlier this year and extends the period of eligibility by six months.
- To benefit from this Tax Break a small business must have a turnover of less than \$2.0 million a year.

### Eligible assets

- The Tax Break is available for new tangible, depreciating assets for which a deduction is available under Subdivision 40-B of the *Income Tax Assessment Act 1997* (ITAA 1997) and new investment in existing eligible assets.
- Intangibles, such as software, and rights, for which a deduction is available under subsections 40-30(2), (5) and (6), are not eligible for the Tax Break.
- Cars can qualify for the Tax Break except where the taxpayer uses the cents per kilometre method to determine their car expense deductions.

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- Land and trading stock are excluded from the definition of depreciating assets, and will not qualify for the Tax Break.
- Capital works expenditure for which a deduction is available under Division 43 of the ITAA 1997 is also not eligible for the Tax Break.
- The deduction is claimable in a taxpayer's income tax return in the income year in which the asset is installed ready for use.

## *Worked examples*

Maria runs a retail clothing store and meets the definition of a small business entity. On 7 June 2009 she purchases and installs six new mirrors for her fitting rooms. The mirrors cost \$200 each and are substantially identical, so the cost of each mirror can be amalgamated for the purposes of meeting the \$1,000 threshold. Maria's total investment is \$1,200 and she will be eligible to claim a \$600 bonus deduction (being 50 per cent of \$1,200) in her 2008-09 income tax return.

Ben operates a courier service. He also meets the definition of a small business entity. He orders and takes delivery of a new, more fuel efficient, delivery van in June 2009 at a cost of \$30,000. Ben will be eligible to claim a bonus tax deduction of \$15,000 in his 2008-09 tax return.

The Sunshine Bakery is a small business. On 12 October 2009, the company purchases and installs a new oven at a cost of \$5,000. It will be eligible for a bonus deduction of \$2,500 which it can claim in its 2009-10 tax return.

## Claiming the Tax Break

- The deduction will be claimed by the taxpayer who holds the asset for the purposes of Division 40 of the ITAA 1997; that is, the same person who claims capital allowance deductions in relation to the asset, is entitled to the Tax Break.

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- The bonus deduction provided by the Tax Break is on top of the usual capital allowance deduction claimable for the asset as part of the taxpayer's income tax return. The Tax Break has no impact on deductions for an asset's decline in value claimed under Division 40 of the ITAA 1997.

## **The Hon Dr Craig Emerson MP**

Minister for Small Business, Independent Contractors and the Service Economy  
Minister Assisting the Finance Minister on Deregulation