

30% Investment Allowance

Investment Allowance Benefits for Trailer Purchasers

The Federal Government has upgraded the temporary investment allowance announced in December 2008 from 10% to 30%.

The 30% deduction will be available for a short time after which it will revert to 10%. Please refer to the notes below for details.

The Government Announcement:

The details below are copied from a Federal Government Media Release jointly issued by the Prime Minister and the Minister for Small Business, entitled "Small Business and General Business Tax Break":

"Small businesses will be able to claim a bonus deduction of 30 per cent for eligible assets costing \$1,000 or more that they:

acquire or start to hold under a contract entered into between 12:01am AEDT 13 December 2008 and the end of June 2009, or start to construct between these times; and

have installed ready for use by the end of June 2010.

Small businesses will be able to claim a bonus deduction of 10 per cent for eligible assets costing \$1,000 or more that they:

acquire or start to hold under a contract entered into between 1 July 2009 and the end of December 2009, or start to construct between these times; and

have installed ready for use by the end of December 2010.

minimum expenditure threshold of \$10,000 will still apply to all other businesses. "

Applicability:

- Applies to "tangible assets used in carrying on a business for which a deduction is available under the core provisions of Division 40" of the Income Tax Assessment Act 1997. The investment allowance is applicable to semi-trailers, vans, tippers and similar equipment as they all fall under Division 40. The asset (the trailer) must have a value exceeding \$10,000 (or \$1,000 if the buyer is a "small business").
- The need for the equipment to be new rather than used is still unclear and subject to the final legislation. It is anticipated that it will only apply to new equipment, but that is yet to be clarified.
- To be eligible, the purchaser must own the asset (the trailer).
- The tax deduction is effective only in the financial year in which the purchaser receives title to the trailer.
- The issue of "construction" does not apply to the case of buying trailers.

What does this mean for trailer purchasers?

The 30% deduction applies when:

- The capital equipment is ordered on or between 13th December 2008 and 30th June 2009.

AND

- The goods are delivered and invoiced on or before 30th June 2010.

The 10% deduction applies when:

- The capital equipment is ordered on or between 1st July 2009 and 31st December 2009.

AND

- the goods are delivered and invoiced on or before 31st December 2010.

NOTES:

(1): The customer can still claim the usual depreciation tax deductions, which will be in addition to the 30% or 10% as the case may be.

(2): Some forms of trailer finance may adversely affect the eligibility of the purchaser to receive the benefit. It is important that the purchaser seeks independent advice on this aspect. If the form of finance confers this benefit on the finance provider, then that should be reflected in a lower rate of repayment by the customer.

DISCLAIMER:

MaxiTRANS provides this information in good faith based upon information released by the Federal Government. MaxiTRANS accepts no liability for the accuracy of the information provided above or its applicability to any particular business or transaction.

MaxiTRANS strongly recommends that purchasers seek their own independent advice from their financiers and tax accountants in respect of the application and operation of the Investment Allowance and their eligibility for the benefit.