



INVESTMENT ALLOWANCE – LAST DAYS



The last date for access to the temporary investment allowance tax deduction is approaching – however there are still opportunities available to businesses up until 31 December 2009.

For both small business entities and larger businesses, the last date to commit to eligible expenditure is 31 December 2009 although assets can be installed ready for use up to as late as 31 December 2010. Different deduction rates and expenditure thresholds apply depending on the size of the business as outlined below.

Small Business Entities

Small business entities (“SBE”) are entitled to an investment allowance claim of 50% of the cost of eligible assets where:

- there is a commitment made to incur the eligible expenditure prior to 31 December 2009; and
- the asset is installed ready for use by 31 December 2010.

To qualify as an SBE, a business and its connected entities and CGT affiliates must have a combined annual turnover of less than \$2 million.

A connected entity to an SBE is one entitled to at least 40% of the SBE’s profit and vice versa. A CGT affiliate is an entity that can reasonably be expected to act in accordance with the SBE’s wishes or in concert with the SBE.

All Other Taxpayers

For businesses with an annual turnover in excess of \$2 million, eligible expenditure must be at least \$10,000 per asset or batch or set of assets (including amounts paid to get the asset to its present condition and location) in order to claim the investment allowance. The investment allowance rate depends on the time the asset expenditure was committed to and also the date on which the asset was installed ready for use as outlined below.

Investment Commitment Time	Installed Ready For Use By/Between	Deduction For Assets Acquired Under a Contract	Deduction For Assets Constructed	Deduction for Improvements to Existing Assets
13 December 2008 to 30 June 2009	30 June 2010	30%	30%	30%
13 December 2008 to 30 June 2009	1 July 2010 to 31 December 2010	10%	10%	10%
1 July 2009 to 31 December 2009	31 December 2010	10%	10%	10%

Eligible Assets

Assets eligible for the allowance are tangible assets used principally in the carrying on of a business that are eligible for a depreciation deduction under the general depreciation rules in Division 40. Such assets include motor vehicles, plant and equipment and improvements to existing assets.

Second-hand assets, software and other intangible assets are not eligible for the investment allowance.

Investment Commitment Time

Generally, the investment commitment time will be the point in time where the taxpayer has:

- entered into a contract under which they hold the asset (or will start to hold the asset at a later date); or
- started to construct the asset; or
- started to hold the asset in some other way.

On this basis, it is not necessary that the asset be paid for within the investment commitment time deadline and as a result, provided businesses enter into contracts prior to 31 December 2009 under which they commit to eligible investment, or start to construct or hold assets prior to his time, the allowance will be available albeit that the asset may not be paid for or installed ready for use until a later date.

Considerations

Businesses should consider expenditure needs on eligible assets for the next 12 to 18 months. In some cases, it may be beneficial to bring forward expenditure in order to meet the 31 December 2009 deadline and be eligible for the investment allowance. This is particularly the case for small business entities that will still be eligible for a 50% investment allowance rate.

If you have any queries, or would like advice in relation to any matters relating to any of the above, please contact either Michelle Saunders or Marissa Bechta on (08) 6311 6900.

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