

NEW INVESTMENT ALLOWANCE EXPLAINED

This is potentially very beneficial so we are sending this brief outline to you as a pre 30 June reminder. We previously advised of this new tax deduction in our post budget newsletter.

- It is a tax **deduction** (not a tax rebate). Example -:
 - If **asset cost \$10,000** - Allowance 50% - Your marginal tax rate 30%.
 - Then **tax saved is \$1,500** (\$10,000 x 50% x 30%).
- It applies to new assets acquired principally for business use and for which depreciation deductions are available. It does not apply to intangibles such as computer software.
- The allowance applies in addition to normal depreciation claims.
- It can apply to cars used in a business except those claimed on a cents per kilometre basis.
- It can apply to financed assets (e.g. lease, hire purchase) subject to the terms.

Application

Small business (Turnover <\$2M)

- Assets costing \$1,000 or more (excluding GST)
- Rate 50%
- Order / commit to invest 13.12.2008 to 31.12.2009
- Install / deliver by 31.12.2010
- Tax claim year year of installation / delivery

Other businesses (Turnover >\$2M) – Phase one

- Assets costing \$10,000 or more - but group smaller items (excluding GST)
- Rate 30%
- Order / commit to invest 13.12.2008 to 30.06.2009
- Install / deliver by 30.06.2010
- Tax claim year year of installation / delivery

Other businesses (Turnover >\$2M) – Phase two

After the above dates the rate reduces:-

- Assets costing \$10,000 or more - but group smaller items (excluding GST)
- Rate 10%
- Order / commit to invest 01.07.2009 to 31.12.2009
- Install / deliver by 31.12.2010
- Tax claim year year of installation / delivery

ATO OFFERS RELIEF FOR SMALL BUSINESSES

Australian Taxation Office commissioner Michael D'Ascenzo announced at a small business summit in Melbourne this morning (Wednesday 10 June 2009) new measures to help small businesses (defined as those earning less than \$2 million in revenue) get through the downturn. D'Ascenzo announced that small businesses that are struggling to pay their tax debts will be entitled to apply to have interest charges waived for 12 months and also to request deferred payment dates for activity statements.

We hope the above brief summaries are helpful.

As usual there is a lot more detail and if applicable, you should obtain specific advice relevant to your circumstances from your advisor.

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