

Last chance – investment allowance...

Ends 31 December

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If you run a small business with a turnover below \$2 million, you only have a few weeks left to take advantage of the Government's 50% investment allowance. The same deadline also applies to the 10% investment allowance for businesses with turnover above \$2 million.

As you no doubt already know, for small businesses the investment allowance gives you a 50% extra deduction on assets that cost more than \$1,000 (GST ex) assuming the eligibility criteria are met. For other businesses, the investment allowance gives you a 10% extra deduction on assets that cost more than \$10,000 (GST ex) assuming the eligibility criteria are met.

To take advantage of the investment allowance you need to:

- Make sure the asset is intended for use in a business in Australia
- Make a commitment to purchase or construct the asset before midnight on 31 December 2009. This commitment could be an order or the signing of a contract but BEWARE; if a hire purchase or certain chattel mortgages are used to finance the purchase or construction of the asset, these financing arrangements (as well as the order/contract) must be in place by midnight on 31 December 2009
- Use or install the asset ready for use before 31 December 2010
- Make sure the asset is a tangible, depreciable asset
- Make sure the asset is new – if the asset has been used previously, it can only be for a 'reasonable' trialling and testing. Not everything labelled as 'demonstrator' will pass this test.

You can purchase a huge range of items using the investment allowance such as business vehicles, computers, furniture, tools and equipment.

You can also use the investment allowance to upgrade an existing asset in certain circumstances (but not repairs). For example, if you want to make modifications to existing equipment or buy additional items for the equipment.

Plus, if you are looking to buy a series of items that are 'identical' or 'substantially identical', you can group the total cost of the assets to meet the threshold. Remember, the investment allowance is available for people and entities 'carrying on a business'; it is not available for passive investments such as rental properties. You can use the asset purchased for personal use and still claim the investment allowance as long as the purchase is principally for business purposes (over 50% of the use is in the business).

This is just a summary of what you need to be aware of to qualify for the investment allowance and does not cover every circumstance or all the criteria that might apply to you. If you are uncertain about the investment allowance, the impact of any investment on your cash flow, or how best to manage any intended investments, contact us today.

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