



Edition 49 – Supplement #1

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BKB Supplement is a publication designed to update ABN's main technical offering, Bookkeepers Knowledge Base. BKB Supplement keeps you apprised of developments with respect to the topics canvassed in past editions of Bookkeepers Knowledge Base.

If you do not have the original Bookkeepers Knowledge Base edition that this BKB Supplement relates to, then you can order this and other past editions by contacting Beth on (07) 3290 4914, or by going to the Member's Area of our website and clicking on the Bookkeepers Knowledge Base link in the left-hand panel.

The Investment Allowance

On 3 February 2009 the Government announced the investment allowance as part of the Government's *Nation Building and Jobs Plan*. The Tax Break extends and expands the temporary investment allowance announced in December 2008. The allowance was then further enhanced in the May 2009 Federal Budget. This BKB Supplement updates you on these changes.

Small Business Enhancements

As part of the May 2009 Federal Budget, the investment allowance (which is a bonus deduction for businesses that invest in capital, depreciating assets) has been made more generous.

The government has expanded the investment allowance to allow a bonus deduction of 50% (up from 30%) for small businesses (those with a turnover of less than \$2 million) that acquire or make improvements to an eligible asset between 13 December 2008 and 31 December 2009, and install that asset ready for use by 31 December 2010.

Thus small businesses should note the following two improvements to the allowance:

- The 30% deduction has been increased to 50% and
- The timeframe for acquiring such an asset has been extended by six months to 31 December 2009.

In short, the changes present small businesses with a valuable opportunity to invest in capital assets and claim a bonus 50% deduction (in addition to your normal depreciation claims).

For larger businesses (those with a turnover of more than \$2 million), the allowance remains unchanged.

Thus, following the Budget changes, the following rules now apply:

Small Businesses (those with an annual turnover of less than \$2 million)

A bonus investment allowance deduction of 50% (up from 30%) for new, tangible depreciating assets or new expenditure on existing eligible assets costing \$1 000 or more that small businesses:

- Acquire between 13 December 2008 and 31 December 2009 or start to construct or improve upon between those times; and
- Have installed ready for use by 31 December 2010.

Other Businesses (those with an annual turnover of \$2 million or more)

1. A bonus investment allowance deduction of 30% for new, tangible depreciating assets or new expenditure on existing eligible assets costing \$10 000 or more that they:
 - Acquire between 13 December 2008 and 30 June 2009 or start to construct or improve upon between those times; and
 - Have installed ready for use by 30 June 2010.

2. A bonus investment allowance deduction of 10% for new, tangible depreciating assets or new expenditure on existing eligible assets costing \$10 000 or more that they:
 - Acquire between 1 July 2009 and 31 December 2009, or start to construct or improve upon between those times; and
 - Have installed ready for use by 31 December 2010.

For an in-depth coverage of the investment allowance, see Bookkeepers Knowledge Base 49 – The Investment Allowance.

You can also copy and paste the following Tax Office link into your internet browser:
<http://www.ato.gov.au/taxprofessionals/content.asp?doc=/Content/00175431.htm>

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