

## **\$30,000 Instant Asset Write off FAQ**

Are you thinking about buying assets to help your small business grow? The immediate deduction on assets that cost under \$30,000 will be available until 30 June 2019. This is available to businesses with a turnover less than \$50 million and "carrying on a business". The latest Federal Budget proposes to extend the \$30,000 instant asset write-off threshold to 30 June 2020. This change is not law yet.

1. If you buy assets that cost less than \$30,000, you are able to claim them in full as a deduction in your tax return at the end of the year.
2. Assets that cost \$30,000 or more will be grouped into what is called a small business pool. The small business pool can be depreciated by 15% in the first year then 30% each year after that.
3. If the balance of your small business pool falls under \$30,000 (before the depreciation charge) it can be written off in full as a deduction in your tax return at the end of the year.

### **Important Note:**

Business with a turnover of up to \$10 million can also claim a deduction for each asset purchase and first used or installed ready for use, up to the following thresholds

- \$30,000 from 7.30pm (AEDT) on 2 April until 30 June 2020
- \$25,000 from 29 January 2019 until 7.30pm AEDT on 2 April 2019 the threshold is \$25,000
- \$20,000 before 29 January 2019.

Below are our answers to some frequently asked questions about the \$30,000 Instant Asset Write off:

### **Is there a cap on the number of assets for which an eligible taxpayer can claim immediate write-off?**

There is no limit placed on the number of assets that can be immediately written off by a single eligible taxpayer, provided each of those assets cost less than \$30,000.

### **Does it include cars?**

Yes, motor vehicles can be included in the immediate write off as long as the cost is less than \$30,000.

### **Is immediate write-off available for second hand assets, or only for new?**

Both new and used assets may qualify for immediate write-off.

### **Does this mean I can spend \$50,000 on an asset and get an immediate \$30,000 deduction?**

Immediate write-off is available only where the asset costs less than \$30,000. It follows that an upfront deduction of \$30,000 will not be available for assets costing \$30,000 or more.

**Will a subsidiary company that itself has less than \$10 million turnover get access to immediate write-off, regardless of the turnover of other entities in the group?**

Immediate write-off is currently available only to small businesses with aggregate turnover of less than \$10 million, which requires the turnover of related entities to be grouped. These entities must also be carrying on a business.

**Can you get under the \$30,000 threshold by asking a car dealer to invoice the car and accessories separately?**

No. The total cost of the car including accessories will determine whether the immediate write-off is available.

**Will the cost of accessories fitted after market be included in determining whether the immediate write-off is available.**

The immediate write-off will be available if the purchase price of the vehicle plus the cost of any accessories, improvements is less than \$30,000. However, please note that there may be some accessories that are not counted because they do not become 'part of the car' and would therefore not be included in its depreciable cost (and may be depreciable separately). A detachable GPS device might be an example of this. The cost of those kinds of accessories will not be counted towards the \$30,000

**A car dealer is offering me a trade-in price that conveniently results in a sale price for the vehicle I am purchasing of less than \$30,000. Is this OK?**

Extreme caution should be exercised in circumstances like this as we would anticipate the ATO to look into this kind of thing pretty closely. Ultimately, the market price of the purchased vehicle and the traded-in vehicle - not the invoiced amount - will determine whether the immediate write-off can be claimed.

**Will on-road costs be counted towards the \$30,000 threshold?**

The answer to that depends on which particular on-road cost you are dealing with. Deductible on-road costs (like insurance and registration) will not be counted but capitalised ones (like stamp duty) will.

**Can I buy a small car for family use through my business and get an immediate write-off?**

While the write-off may be available in these circumstances, be aware that private use of a car by an employee (including an employee of a family business) or associate of an employee (such as an adult son or daughter) will raise FBT issues. Please contact us if you need further information of advice.

**What if the asset costs more than \$30,000 (say, \$30,000) but my business use percentage is only \$18,000 (i.e. it is estimated I will use the asset for business purposes 60% of the time)? Can I get an immediate write-off?**

Almost certainly not. The write-off is concerned with the cost of the asset, not the amount that would otherwise be depreciable. Having said that, if after adding the business use percentage to your small business pool, your pool balance at year-end is less than \$30,000, you will be able to write-off the balance thereby effectively getting an immediate write-off for the business use proportion of an item that cost you more than \$30,000.

If you have any other questions or comments, feel free to drop us a line at [enquiries@richards.net.au](mailto:enquiries@richards.net.au) and we will do our best to give you an answer.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.

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