

Instant Asset Write Off from 1 July 2023

Small businesses, with an aggregated turnover of less than \$10 million, will be able to immediately deduct the full cost of eligible assets costing less than \$20,000 that are first used or installed ready for use between 1 July 2023 and 30 June 2024.

The government announced it will extend the \$20,000 instant asset write-off by a further 12 months until 30 June 2025. This measure is not yet law.

The \$20,000 threshold will apply on a per asset basis, so small businesses can instantly write off multiple assets.

The immediate deduction can also be used for both new and second-hand assets.

Assets valued at \$20,000 or more can continue to be placed in the small business simplified depreciation pool (General Pool) and depreciated at 15% in the first income year and 30% each income year after that.

Below are some frequently asked questions:

➤ **How does the deduction work?**

The deduction is not a cash handout nor is it some form of investment allowance. It is a deduction to reduce your taxable profit.

When you sell the asset the proceeds from that sale are taxable income as you have claimed the full costs as a tax deduction already.

➤ **Is the \$20,000 threshold inclusive or exclusive of GST?**

If the entity is registered for GST, then the GST exclusive amount is taken to be the cost of the asset.

Where the entity is not registered for GST, then the GST inclusive amount is taken to be the cost of the asset.

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➤ When can I claim the deduction?

To claim the deduction the asset purchased must be used by the business or is installed ready for use during that year. If you place an order for an asset and you take possession in the following income tax year you will not be able to claim the deduction until that following year.

➤ How do I work out my deduction?

To work out the amount you can claim, you must subtract any private use portion.

A car limit applies to the cost of passenger vehicles designed to carry a load less than one tonne.

The car limit is:

- \$68,108 for the 2023-24 income year.
- \$69,674 for the 2024-25 income year.

This is the maximum value that can be used for calculating depreciation on the business use of a car first in running your business.

While all reasonable care has been taken in the preparation of the publication, we do not accept any responsibility for any errors it may contain, whether caused by negligence or otherwise, or for any loss, however, caused, or sustained by any person that relies on it.

Note: This information is of a general nature only and is not intended to be relied upon, nor to be a substitute for, specific professional advice. Also as changes in legislation may occur quickly we recommend that our formal advice be sought before acting in any of the above areas.

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