

Government Assistance for Australian Businesses – COVID-19 Stimulus Package

Support for Automotive Business Investment

1. Increasing the Instant Asset Write-Off (IAWO)

WHO

- All businesses with aggregated annual turnover of less than \$500 million (up from \$50 million) until 30 June 2020.

WHAT

- The Government is increasing the instant asset write-off (IAWO) threshold to \$150,000, up from \$30,000.
- The higher IAWO threshold can potentially provide cash flow benefits for businesses. They will be able to immediately deduct purchases of eligible assets, each costing less than \$150,000.
- The threshold applies on a per asset basis - eligible businesses can immediately write-off multiple assets.
- For small businesses with a turnover less than \$10 million the IAWO is due to revert to \$1,000 for small businesses on 1 July 2020.

HOW

- This proposal applies to new or second-hand assets first used or installed ready for use from 12 March 2020 until 30 June 2020.
- As the relevant deadline is only some three and a half months away, businesses will need to act quickly, especially for any asset with a delivery lead time.
- Eligible businesses are able to claim deductions of up to \$150,000 for the 2019-20 income year.

NOTE

Only necessary purchases should be made in order to take advantage of this benefit. It is not recommended to increase expenditure unnecessarily in the current economic climate.

2. Backing Business Investment (BBI)

WHO

- Businesses with aggregated turnover under \$500 million, purchasing certain new depreciable assets.

WHAT

- This is a 15-month investment incentive to support business investment by accelerating depreciation deductions that does not fall within the above instant asset write-off, either because the item exceeds the \$150,000 threshold, or the item is not first used or installed ready for use by 30 June 2020.
- Applies to eligible assets acquired after 12 March 2020 and first used or installed by 30 June 2021.
- There benefit includes a deduction of 50% of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost.
- Eligible assets refer to new assets able to be depreciated under *Division 40* of the *Income Tax Assessment Act 1997*, acquired after announcement and first used or installed by 30 June 2021.
- *Does not apply to second-hand Division 40 assets, or buildings and other capital works depreciable under Division 43.*

HOW

- Discuss how best to maximise these benefits with an accountant.