

# Government Assistance for Australian Businesses – COVID-19 Stimulus Package

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## 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.