

APRIL 2019

TAX ALERT:

PROPOSED BUDGET CHANGES TO THE INSTANT ASSET WRITE-OFF WERE PASSED BY BOTH HOUSES OF PARLIAMENT TODAY

The *Treasury Laws Amendment (Increasing the Instant Asset Write-Off for Small Business Entities) Bill 2019* was passed by the Senate and the House of Representatives this morning, to increase the threshold to \$30,000 and expand the eligibility to medium sized businesses with a turnover of less than \$50 million. However, the Bill does not become law until it receives Royal Assent.

The Bill that was passed had numerous amendments, including changes that mean there will be three tiers for businesses eligible for the instant asset write-off within the 2019 income year, including:

- **Tier 1** – the \$20,000 threshold for depreciable assets that are acquired before 29 January 2019 (*for small business with annual turnover under \$10M*);
- **Tier 2** - the \$25,000 threshold for assets first used or installed between 29 January 2019 and 2 April 2019 (*for small business with annual turnover under \$10M*); and
- **Tier 3** - being the \$30,000 threshold for assets first used and installed after the 2 April 2019 budget announcement and before 1 July 2020 (*for small business with annual turnover under \$10M and medium-sized business with annual turnover under \$50M*).

**Definition of
“Annual turnover”:**

total ordinary income that the entity derives in the income year in the ordinary course of carrying on a business (excludes salary, wages, or passive investment income).

While these changes to the Bill have extended the availability of the expanded concession to many more businesses, it has also created a new level of complexity to these rules. This means that taxpayers (and their advisors) will need to pay special attention to the start dates and threshold values to determine eligibility for the instant asset write-off for the 2019 income year.

Given this unexpected consequence of increased complexity, we recommend that any clients contemplating a significant asset purchase and expecting to access these expanded rules, should contact their usual Lowe Lippmann advisor to confirm that they should be eligible for the instant asset write-off for the 2019 income year.

We also recommend that small business taxpayers will need to continue to review their records carefully in order to determine which assets are eligible for the instant asset write off and which are not.

Please do not hesitate to contact your Lowe Lippmann Relationship Partner if you wish to discuss any of these matters further.



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