

Full Expensing of Business Assets Available Now!



Do you need to:

- expand your production line?
- upgrade your fleet? or
- purchase new tools or equipment?

Well, we have good news. This one tax break offered by the government could solve these challenges for businesses big and small NOW and alleviate cashflow strain!

The Government is endeavouring to stimulate the economy by incentivising more businesses to take up the instant asset finance write-off. **NOW there is NO THRESHOLD for businesses with an aggregated turnover up to \$5 billion pa.**

This should benefit both businesses and our economy.

Eligible businesses **can deduct the full cost of unlimited new eligible depreciating assets** purchased from 7:30pm AEDT on 6 October 2020 until 30 June 2022¹.

The real benefit here is being able to claim NOW. Under normal circumstances, the asset would have been depreciated over time and the additional cash flow would have been available in future years.

This tax break not only applies to new purchases, but businesses can also deduct the full cost of improvements to depreciating assets.

Plus, it is not just big-ticket items you can claim.

Other eligible assets you may purchase and claim a deduction include:

- drills, grinders, electric sanders and saws
- tool boxes
- shelving and storage
- ladders
- computers, laptops and tablets

You are entitled to claim the deduction in the year the asset was first used or installed ready for use.

Note: There are a small number of assets that are excluded and a limit applies to the cost of passenger vehicles.

Bonus for small businesses

For small and medium sized businesses with aggregated turnover of less than \$50 million, full expensing also applies to eligible second-hand assets - even a second-hand photocopier!

The instant asset write off scheme provides a way to claim the assets you purchase for your business, reducing your tax liabilities and reducing strain on your current cash flow.

We have created two scenarios to show you how this works. Ask us for a copy of our '**How to use the unlimited instant asset write off scheme**' to find out.

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Instant asset write-off eligibility

The instant asset write-off eligibility criteria and thresholds have changed over time, so here is an overview of the changes:

For assets first used or installed ready for use between 12 March 2020 and 30 June 2021 and purchased by 31 December 2020, the threshold amount of \$150,000 applies for businesses with an aggregate turnover of less than \$500 million.

From 7.30pm AEDT on 6 October 2020 until 30 June 2022, temporary full expensing allows a deduction for:

- the business portion of the cost of new eligible depreciating assets for businesses with an aggregated turnover under \$5 billion.
- the business portion of the cost of eligible second-hand assets for businesses with an aggregated turnover under \$50 million.
- the business portion of the cost of any improvement made to assets written off under the simplified depreciation rules (including instant asset write-off) in an earlier income year. If you have previously written off costs in improving the asset, subsequent improvement costs are added to the small business pool.
- the balance of a small business pool at the end of each income year in this period for businesses with an aggregated turnover under \$10 million.

As outlined by the Australian Taxation Office, if you choose to use the simplified depreciation rules, any depreciating assets for which you cannot claim an immediate deduction under instant asset write-off or temporary full expensing are allocated to a small business depreciation pool². For more information, see the ATO site or contact your accounting or tax specialist.

Keeping your business cash flow positive is important for all businesses, but large essential purchases can be challenging.

Would you like to take advantage of this opportunity but not sure your business could afford to purchase the asset up front?

You could potentially borrow the funds and still claim the write-off.

If you opt to use financing to purchase the asset(s), you may

still be entitled to claim the deduction.

Depending on the type of finance and asset you purchase, you could retain your existing cash resources, use the equipment you purchase as security and make regular payments suited to your business cash flow.

Borrowing the funds means you can purchase the asset without a significant upfront drain on the financial resources of your business.

Some finance options allow you to lower your repayments by setting a balloon or residual payment at the end of the finance period.

If you are unsure of which finance option is most suitable, **CONTACT US TODAY. We will assist you in choosing the ideal finance option for your business.**

1. *Instant asset write-off* | Australian Taxation Office ([ato.gov.au](https://www.ato.gov.au))
2. *Small business pool calculations* | Australian Taxation Office ([ato.gov.au](https://www.ato.gov.au))



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Contact us for our article
**'How To Use The Unlimited
Instant Asset Write Off Scheme'**

