

Time is running out for the business tax break

If you own a business, and there are business assets you're thinking of investing in, you can take advantage of the extra tax deduction available through the business tax break. This is also known as the 'investment allowance'.

Time is running out though – you need to buy the asset, or at least enter into a contract to buy it, on or before 31 December 2009.

The amount of the deduction depends on your annual turnover:

- If your business has an annual turnover of less than \$2 million, you can claim an extra tax deduction of 50% for eligible assets costing \$1,000 or more.
- If your business turns over \$2 million or more, you can still claim an extra 10% tax deduction for eligible assets costing \$10,000 or more.

Regardless of your turnover, you have to use the asset principally in Australia and principally for business, and you need to use it (or install it ready for use) by 31 December 2010.

You claim the additional tax deduction in your income tax return for the year you first use or install the asset (as long as you meet all other eligibility criteria).

For example, if you decide to buy a new vehicle for your business in December 2009 but it isn't delivered until February 2010, you can still claim the tax break in your 2009–10 income tax return.

You can also add together the cost of certain assets to meet the \$1,000 or \$10,000 thresholds, such as assets that form part of a set (for example, a base station and handsets for a two-way radio) or assets that are identical. Each item needs to be a new, tangible and depreciating asset.

Substantial improvements, additions and alterations may also be eligible, but repairs are not. For example, you can claim the business tax break for a new improved engine you buy for a business vehicle but you can't claim for mechanical repairs.

More information

Visit the Tax Office website www.ato.gov.au, talk to your tax agent or call the business tax break info line on **1300 337 921**.