



FACT SHEET

SMALL BUSINESS INSTANT ASSET WRITE-OFF

Measure description

This measure enhances and expands the existing capital allowance concessions available for small businesses. It will do this by:

- allowing small businesses to immediately write-off assets valued at under \$5,000 (this is up from \$1,000 under the present law); and
- allowing small businesses to write-off all other assets (except buildings) in a single depreciation pool at a rate of 30 per cent. Currently, small businesses allocate assets to two different depreciation pools.

This measure will commence from 1 July 2012.

Rationale

Enhancing the existing depreciation concessions is a relatively simple and effective mechanism for assisting small businesses. Increasing the immediate write-off threshold to \$5,000 will enable small businesses to immediately deduct the costs of a significant proportion of the assets that they purchase. This will:

- increase their cash-flow by deferring their tax liabilities;
- reduce compliance costs by removing the requirement to calculate depreciation allowances and track assets for depreciation; and
- make asset ownership more attractive than leasing or debt financing.

Removing the long-life pool and allowing small businesses to depreciate assets (other than buildings) in a single pool further simplifies the depreciation calculations.

Key facts

The measure provides a direct and practical benefit to many small businesses. Up to 2.4 million small businesses will benefit from this measure, especially capital intensive businesses.

Indicative timeline

This measure will commence from 1 July 2012.

The Government will consult on the details of the changes in 2010-11.