

Below is a table of the instant asset write off thresholds for small businesses applying the simplified depreciation rules:

Amount (Excluding GST)	Date of Purchase	Aggregated Turnover
\$150,000	From 12 <sup>th</sup> March 2020 to 30 <sup>th</sup> June 2021 (provided asset purchased before 31 <sup>st</sup> December 2020)	Up to \$10 million
\$30,000	From 7.30pm (AEDT) on 2 April 2019 until 11 <sup>th</sup> March 2020	Up to \$10 million
\$25,000	From 29 January 2019 until 7.30pm (AEDT) on 2 April 2019	Up to \$10 million
\$20,000	From 1 <sup>st</sup> July 2016 to 28 <sup>th</sup> January 2019	Up to \$10 million

Below is a table of the instant asset write-off thresholds for businesses with an aggregated turnover of between \$10 million or more but less than \$500 million:

Amount (Excluding GST)	Date of Purchase	Aggregated Turnover
\$150,000	From 12 <sup>th</sup> March 2020 to 30 <sup>th</sup> June 2021 (provided asset purchased before 31 <sup>st</sup> December 2020)	Up to \$500 million
\$30,000	From 7.30pm (AEDT) on 2 April 2019 until 11 <sup>th</sup> March 2020 (provided asset purchased on or after 7:30pm AEST 2 <sup>nd</sup> April 2019)	Up to \$50 million

On face value the instant asset write off is a very appealing tax concession, however, there are a number of conditions you need to satisfy. Firstly, the asset must be used in the business for income-producing purposes. The Tax Office have stated they will monitor usage to detect 'errors' so once you lodge your tax return you might get a 'please explain' letter from the ATO asking for more details.

Here are some key points to consider:

- For the instant asset write off, the asset can be new or second hand.
- To be eligible, the asset must be purchased by a business turning over less than \$50m or \$500 million after 12th March 2020 (see above table).
- The amount must be under \$150,000 (depending on date of purchase – see table above as it could be \$30K or \$25K or \$20K) exclusive of GST (i.e. \$165,000, \$33K, \$27.5K or \$22K including GST).
- If you borrow to purchase the asset, the asset is still eligible.
- The asset must be installed and ready to use by the deadline (purchasing a car to be delivered in July 2021 won't qualify until the car is actually delivered).
- To claim the write off on a motor vehicle you will need to have a valid log book and claim only that percentage of the cost as an immediate write off.

- If you purchase a car for your business, the instant asset write-off is limited to the business portion of the car limit of \$59,136 for the 2020/21 income tax year.
- Some taxpayers may try to reduce the cost of an asset to under \$30k (for purchases prior to 12th March 2020) by using a trade-in when purchasing the asset (for example a car). However, the monetary value of the trade-in will form part of the asset cost and not reduce the cost of the asset.
- Any attempt to manipulate invoices etc. will attract the ATO's use of the anti-avoidance rules, thereby eliminating the write off.
- If your business has a small profit or even a loss, the write off will be of little or no benefit in the current year (losses are not refundable but can be carried forward to the next year).
- Building structural improvements are not eligible for the instant write off.
- If your pool balance at the end of the year is less than \$30,000 before applying any other depreciation deduction, the entire pool balance can be written off (\$150,000 if purchased post 12th March 2020 and before 31st December 2020).
- If your business is not a 'Small Business Entity' you will need to depreciate all assets purchased over \$1,000. Any assets purchased for \$1,000 or less can be written off immediately.