

## ATO'S SMALL BUSINESS CONCESSION CASE STUDIES

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To meet its 2013 election commitments the government has reduced or removed some small business concessions (for eligible Small Business Entity ("SBE") taxpayers running a business with an aggregated turnover of less than \$2 million). The changes are effective from 1 January 2014, meaning they may affect 2013/14 business income tax returns.

The instant asset write-off threshold under the SBE depreciation regime has been reduced from \$6,500 to \$1,000. As a result, eligible assets costing less than \$6,500 that were acquired and installed ready for use by 31 December 2013 can still be immediately written-off by taxpayers using the SBE depreciation regime. Assets acquired on or after 1 January 2014 can only be immediately written-off under the SBE depreciation regime if they cost less than \$1,000.

The accelerated initial deduction for motor vehicles has also been removed under the SBE depreciation regime. Eligible SBE taxpayers using the SBE depreciation regime can still claim an accelerated deduction for motor vehicles costing \$6,500 or more, as long as they were acquired and available for use by 31 December 2013

<b>Instant asset write-off</b>	
<b>By 31 December 2013</b>	<b>On or after 1 January 2014</b>
<p>Steve bought a commercial coffee machine for \$6,499.99 to go in his new cafe. He installed it on 31 December 2013, and uses it solely for business purposes.</p> <p>From 1 July – 31 December 2013, small businesses can claim an instant asset write-off for most assets that cost less than \$6,500. The asset must be acquired and installed ready for use before 1 January 2014.</p> <p>Because Steve bought and installed the coffee machine before 1 January 2014, and because it cost less than \$6,500, he can claim the instant asset write-off.</p>	<p>Delilah bought a computer for \$3,000 on 31 December 2013, but installed it ready for use on 1 January 2014. It's used for her editing business 100% of the time.</p> <p>From 1 January 2014 onwards, small businesses can claim an instant asset write-off for most assets that cost less than \$1,000.</p> <p>Even though Delilah bought the computer on 31 December 2013, she only installed it ready for use on 1 January 2014. This means the lower instant asset write-off rules apply. Because the computer cost \$1,000 or more, Delilah can't claim the instant asset write-off.</p>



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General small business pool	
By 31 December 2013	On or after 1 January 2014
<p>Wilbur operates his own Dental Centre. To entertain his clients, he buys and installs a new TV in the ceiling above the dental chair. The TV cost \$6,500, and he installed it on 23 November 2013.</p> <p>From 1 July – 31 December 2013, small businesses can claim an instant write-off for assets costing less than \$6,500. Assets costing \$6,500 or more should be depreciated through the general small business pool.</p> <p>Wilbur must allocate the cost of the TV to the general small business pool. He can claim a deduction of 15% in the first year of owning this asset and 30% in following years.</p>	<p>Ying owns a restaurant called The Little Pork Chop. In March 2014 Ying bought two new sets of tables and chairs, which cost \$1,050 for each set.</p> <p>From 1 January 2014 onwards, small businesses can only claim an instant write-off on assets costing less than \$1,000. Assets costing \$1,000 or more should be depreciated through the general small business pool.</p> <p>Ying must allocate the cost of her new tables and chairs to the general small business pool. She can claim a deduction of 15% in the first year of owning the assets, and 30% of the remaining cost in following years.</p>
Accelerated initial deduction for motor vehicles	
By 31 December 2013	On or after 1 January 2014
<p>Andre owns a furniture restoration business. In October 2013, Andre bought <b>and began using</b> a new sedan for the business. It cost \$40,000 and is used entirely for work.</p> <p>From 1 July – 31 December 2013 eligible SBE's can receive an accelerated deduction of \$5,000 for motor vehicles costing more than \$6,500 and also claim a 15% deduction (on the cost less the accelerated initial deduction of \$5,000) through the general small business pool in the first year. The remaining cost is deducted at a rate of 30% in following years.</p>	<p>Keenan bought a new car for his chauffeur business in February 2014.</p> <p>From 1 January 2014 onwards, there are no accelerated motor vehicle deductions.</p> <p>This means the full cost of the car must be allocated to Keenan's general small business pool. He can claim a deduction at 15% of the cost in the first year and 30% of the remaining cost in each year after that.</p>

If you would like to discuss any aspect of your business, please do not hesitate to contact us.

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