



Fixed Fee Lawyers
Across 4 Cities

READ MORE

JHK LEGAL

Instant Asset Write Off Scheme

June 19, 2020

Written by JHK Legal Associate, Kristina Ghobar

The current scheme

The instant asset write-off scheme provides immediate tax deductions for eligible businesses for new or second-hand plant and equipment asset purchases such as vehicles, tools or office equipment used for tax-deductible purposes.

On 12 March 2020, as part of the Government's stimulus package in response to the COVID-19 pandemic, changes were made to the instant asset write off scheme that would remain in effect until 30 June 2020.

The changes from 12 March 2020 include:

- the instant asset write off threshold being increased from \$30,000 to \$150,000
- the eligibility being expanded to cover businesses with an aggregated turnover of less than \$500 million (up from \$50 million)

The above changes apply from 12 March until 30 June 2020 for applicable assets first used or installed ready for use in this timeframe. As such, eligible businesses will be able to claim an immediate deduction for depreciating assets that cost less than \$150,000. There are, however, limitations that apply, including a car limit that applies to passenger vehicles: the limit is \$57,581 for the 2019–20 income tax year. Further, if your asset is for business and private use, you can only claim the business portion.

It is important to note that the scheme cannot be used for assets that are excluded from the simplified depreciation rules, including:

- assets that are leased out, or expected to be leased out, for more than 50% of the time on a depreciating asset lease;
- assets you allocated to a low-value assets (pool) before using the simplified depreciation rules;
- horticultural plants including grapevines;
- software allocated to a software development pool (but not other software)
- capital works deductions – for example new buildings and certain improvements.

Further details on the scheme can be found [HERE](#) on the ATO website.

Extension to current scheme

On 9 June 2020, the Government announced that it will be extending the changes to instant asset write-off scheme that was due to end on 30 June 2020 for a further six months until 31 December 2020. The



proposed extension is still subject to parliamentary processes and is not currently in force yet.

Without the extension, the \$150,000 instant asset write-off threshold would have reverted back to its original level of \$1,000 and would only be eligible to businesses with a turnover of less than \$10 million from 1 July 2020.

Key considerations

- The instant asset write-off scheme can help improve cash flow for your business by bringing forward tax deductions.
- The threshold applies on a per asset basis, which means that multiple assets can be written off immediately, provided that each asset costs less than the \$150,000 threshold – for example the business can purchase 4 trucks each for \$150,000 and claim the tax deduction on each truck.
- The asset must be first used or installed ready for use for tax-deductible purposes during the period 12 March 2020 to 30 June 2020 - to be extended to 31 December 2020.
- With the extension to 31 December 2020, eligible businesses will have additional time to acquire and install assets so the deduction can be applied in the timeframe with the increased threshold allowance.

How we can help you

Should you require assistance as to your eligibility for the instant asset write off scheme or have any general enquiries, please do not hesitate to [contact us](#).

JHK LEGAL SYDNEY

GPO Box 5019 Sydney NSW 2001
P: 02 8239 9600
E: sydney@jhklegal.com.au

JHKLEGAL MELBOURNE

PO Box 16205 Collins Street West
Melbourne VIC 8007
P: 03 9927 3600
E: melbourne@jhklegal.com.au

Purchasing the Asset

If you have been planning to invest in assets to help grow your business – now is a great time to do it!

If the business does not have the funds readily available, it may be able to borrow to fund the purchase of the assets and still be eligible for the immediate tax deduction.

If the business is utilising a finance facility to buy multiple assets, it will also be able to claim the deduction on each of the assets, provided that each asset costs less than the \$150,000.

Please feel free to reach out if you are considering taking advantage of the current scheme and purchasing an asset or multiple assets through finance. We can provide you with advice on the finance documentation and structure of any finance facility to ensure your business's interests are best protected.

We can also aid and act on your behalf in securing an asset. In particular, if second-hand plant and equipment asset purchases are being negotiated and purchased by way of a deed of sale or contract.

Eligibility under the scheme

Determining your eligibility under the instant asset write off scheme and whether the assets you intend to invest in are covered under the scheme is not a straightforward task. We can provide you with specific advice tailored to your current situation and help navigate through the current scheme under the Tax Laws and the new regimes in place as part of the government's response to the COVID-19 pandemic.

JHK LEGAL BRISBANE

GPO Box 1972 Brisbane QLD 4001
P: 07 3859 4500
E: brisbane@jhklegal.com.au

Connect with us:

