



SENATOR THE HON KIM CARR

**MINISTER FOR INNOVATION, INDUSTRY,
SCIENCE AND RESEARCH**

Dear Sir/Madam,

I am writing to inform you of the benefits of the Small Business and General Business Tax Break announced by the Treasurer, the Honourable Wayne Swan MP, on 3 February 2009.

This initiative will provide an additional \$2.7 billion in a temporary tax break to small and other businesses to boost investment. This tax break is part of the Government's \$42 billion Nation Building and Jobs Plan to support up to 90,000 Australian jobs. The tax break extends and expands the temporary investment allowance that was announced in December 2008.

The tax break allows for businesses to claim a bonus deduction of 30 per cent for assets acquired from 13 December 2008 to 30 June 2009, provided the asset is installed and ready for use before 30 June 2010. Small businesses will be able to claim the deduction for eligible assets costing \$1,000 or more. Other businesses can receive the same deductions for eligible assets costing \$10,000 or more. The tax break will also be available at a reduced rate of 10 per cent for assets acquired from 1 July 2009 to 31 December 2009 and installed by 31 December 2010.

Eligible assets are new tangible assets used in carrying on a business, for which a deduction for decline in value is available under the core provisions of Division 40 (Capital Allowances) of the *Income Tax Assessment Act 1997* (ITAA 1997). Eligible assets include machinery and equipment used to produce income, including motor vehicles. It excludes assets such as land, trading stock and intangible assets. It also excludes depreciating assets for which deductions are available under the specific film provisions, depreciating assets that are capital works (for example, buildings and structural improvements for which deductions are available under the separate provisions for capital works) and cars where the cents per kilometre method is used (as the 5,000 kilometre cap reflects limited business use). Expenditures above the threshold which are capitalised into an existing asset as a second element of cost will also qualify for the deduction.

The tax break is very generous and provides a substantial benefit to businesses. For instance, a tradesperson who purchases a \$30,000 utility prior to the end of the financial year and uses it principally for business purposes, would be able to claim an additional \$9,000 deduction in her/his 2008-09 tax return. Further, a large company

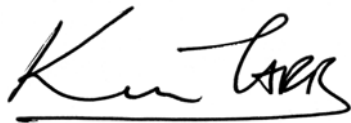
which purchases a fleet of 20 vehicles, each worth \$30,000, would qualify for an additional tax deduction of \$180,000 in its 2008-09 tax return.

The Tax Laws Amendment (Small Business and General Business Tax Break) Bill 2009 was introduced into the House of Representatives on 19 March 2009, and is subject to passage by Parliament. Further information about the Small Business and General Business Tax Break is available from the following web-sites:

- <http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/013.htm&pageID=003&min=wms&Year=&DocType=0;>
- <http://www.treasury.gov.au/documents/1505/PDF/Small%20Business%20FAQ%202.pdf>; and
- [http://www.treasurer.gov.au/DisplayDocs.aspx?doc=factsheets/2009/005.htm&pageID=011&min=wms&Year=&DocType=3.](http://www.treasurer.gov.au/DisplayDocs.aspx?doc=factsheets/2009/005.htm&pageID=011&min=wms&Year=&DocType=3)

I trust this information is of assistance and encourage you to provide this information to other interested parties.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kim Carr', with a horizontal line underneath the name.

Kim Carr