



## Eligibility

Eligibility to use instant asset write-off depends on:

your aggregated turnover (the total ordinary income of your business and that of any associated businesses)

the date you purchased the asset and it was first used or installed ready for use

the cost of each asset being less than the threshold.

The criteria have changed over time so make sure you check whether your business is eligible.

From 1 July 2020 the instant asset write-off will only be available for small businesses with a turnover of less than \$10 million and the threshold will be \$1,000.

Businesses with a turnover of \$500 million or more are not eligible to use instant asset write-off.

---

## Thresholds

The thresholds have changed over the last few years and are as follows:

Instant asset write-off thresholds

Eligible businesses

Date range for when asset first used or installed ready for use

Threshold

Less than \$500 million turnover

12 March 2020 to 30 June 2020

\$150,000

Less than \$50 million turnover

7.30pm (AEDT) on 2 April 2019 to 11 March 2020

\$30,000

Less than \$10 million turnover

29 January 2019 to 7.30pm (AEDT) on 2 April 2019



\$25,000

Less than \$10 million turnover

7.30pm (AEST) on 12 May 2015 to 28 January 2019

\$20,000

Less than \$10 million turnover

1 January 2014 to prior to 7.30pm (AEST) 12 May 2015

\$1,000

Less than \$10 million turnover

1 July 2012 to 31 December 2013

\$6,500

Less than \$10 million turnover

1 July 2011 to 30 June 2012

\$1,000

Make sure you have checked the eligibility criteria for your business.

---

## Exclusions and limits

There are a small number of assets that are excluded.

In addition, if you purchase a car for your business, the instant asset write-off is limited to the business portion of the car limit of \$57,581 for the 2019–20 income tax year. You cannot claim the excess cost of the car under any other depreciation rules. For a worked example, refer to example 1 below.

## Excluded assets

Cars – cost limit for depreciation



### Cost of asset exceeds threshold

If you are a small business using the simplified depreciation rules, and the cost of the asset is the same as or more than the relevant instant asset write-off threshold, the asset must be placed into the small business pool.

Certain new assets that cost more than the instant asset write-off threshold may be able to use the Backing business investment – accelerated depreciation.

If you are not using the simplified depreciation rules, and the cost of the asset is the same as or more than the relevant instant asset write-off threshold, you must use the general depreciation rules.

---

## Work out your deduction

You can claim a deduction for multiple assets as long as the cost of each individual asset is less than the relevant threshold.

The entire cost of the asset must be less than the relevant threshold, not including any trade-in amount. Whether the threshold is GST exclusive or inclusive depends on if you're registered for GST.

To work out the amount you can claim, you must subtract any private use portion. The balance (that is the portion you use to earn assessable income) is generally the taxable purpose portion (business purpose portion). While you can only claim the taxable purpose portion as a deduction, the entire cost of the asset must be less than the relevant threshold.

## Later sale or disposal of asset

If you use the instant asset write-off for an asset and then sell or dispose of that asset, you need to include the taxable purpose portion of the amount you received for the asset in your assessable income for that year.



If you use the instant asset write-off for an asset that is later destroyed (for example, in a bushfire or flood) then the amount you receive (such as from an insurance payout) for the destruction of the asset is included in your assessable income.

#### Example 1: Purchase of a motor vehicle for business purposes – the effect of the car limit for depreciation

Edward and Edna own and run a small irrigation supplies business. On 27 March 2020 the business purchases a luxury car that is designed to carry passengers, for \$80,000. The instant asset write-off threshold at the time they first use the car in the business is \$150,000.

The cost of the car for depreciation is limited to the car limit at that time. As the cost of the car is above the \$57,581 car cost limit for depreciation, the business can only claim an instant asset write-off of \$57,581 for the year ending 30 June 2020. The business can't claim the excess cost of the car under any other depreciation rules.

They also decide to update their work ute and the business purchases a ute for \$65,000 on 27 April 2020. The ute isn't designed to carry passengers (and has been set up with all the trade tools in the tray) so the car cost limit for depreciation doesn't apply. The business can claim a full deduction of \$65,000 as an instant asset write-off.

#### Example 2: Purchasing multiple assets

Barry owns a plumbing business that has a turnover less than \$10 million. On 10 April 2019, Barry purchases a new van for \$22,000 and starts to use it for his business. The following month he purchases a trailer for \$14,000 and starts to use it to support his business.

Barry has spent a total of \$36,000. As the \$30,000 instant asset write-off threshold applies to each asset, Barry is able to claim a deduction for both the van and the trailer in his 2019 tax return.

Question 10 Small business entity simplified depreciation field on tax return.

Barry includes the combined amount of \$36,000 at label A of the Business and professional items schedule, which is filled out when completing his tax return.

#### Example 3: Exceeding the threshold



Daryl owns a small electrical business, Daryl's Electrical that has a turnover less than \$10 million. On 28 July 2017 Daryl purchases a ute for \$40,000. He estimates he will use the ute 40% of the time for his business.

Even though the cost of the ute to the business is \$16,000 ( $\$40,000 \times 40\%$ ), Daryl can't use the instant asset write-off as the total cost of the ute of \$40,000 exceeded the relevant threshold of \$20,000.

Instead he adds the \$16,000 business portion of the ute's cost to Daryl's Electrical small business pool.

#### **Example 4: Business and personal use of asset**

On 18 May 2018 Fiona buys a new computer for \$6,800 that she uses 80% of the time for business purposes. She also bought a new printer for \$700 that she uses for 100% of the time for business purposes.

For the computer, Fiona calculates the business use portion that she can claim a deduction for under the instant asset write-off as \$5,440 (80% of \$6,800). For the printer, she can claim the entire cost of \$700.

Question 10 Small business entity simplified depreciation field on tax return.

Fiona includes the combined amount of \$6,140 at label A of the Business and professional items schedule, which is filled out when completing her tax return.

#### **Example 5: Asset purchased but not ready for use**

Leslie is a florist and her business required a new van to help expand her deliveries.

Leslie purchased a van for \$22,500, which was paid for on 23 January 2019. Under the terms of the contract, delivery of the van was made on 30 January 2019. The van was not ready for use until after the 29 January 2019. At that time, the instant asset write-off threshold was \$25,000. Leslie is able to claim the entire cost of the van in her 2019 tax return.

If the van had been delivered before 29 January 2019 and Leslie started to use it at the time of delivery, Leslie would not have been able to write-off the entire cost of the van. This is because the cost of the van cost exceeded the threshold applicable at that time of \$20,000.