

Accelerated Depreciation for Small Businesses

The Australian Federal Government has proposed to expand accelerated depreciation by allowing small businesses with an aggregated annual turnover of less than \$2 million to immediately deduct each asset that cost less than \$20,000. The measure will apply to assets acquired from 7.30pm, 12 May 2015 until 30 June 2017.

This will replace the previous instant asset write-off threshold of \$1,000.

The balance of a small business pool can also be immediately deducted if the balance is less than \$20,000 at the end of an income year that ends on or after 12 May 2015 and on or before 30 June 2017 (including existing pools).

The Government will also suspend the current 'lock out' laws for the simplified depreciation rules (these prevent small businesses from re-entering the simplified depreciation regime for five years if they have opted out) until 30 June 2017.

This proposed measure commences 7.30pm (AEST) 12 May 2015 and will cease on 30 June 2017.

Assets excluded from these depreciation rules include horticultural plants and in-house software allocated to a software development pool. In most cases specific depreciation rules apply to these excluded assets.

Assets that cost \$20,000 or more (which can't be immediately deducted under other provisions) can be deducted over time using a small business pool. Under the pooling mechanism a deduction for 15 per cent of the cost is allowed in the first income year with a 30 per cent deduction allowed for each income year thereafter.

The Government has also proposed changes to allow primary producers to immediately deduct capital expenditure on fencing and water facilities such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills. A recent announcement now means this proposal will apply from 7.30pm, 12 May 2015.