



Happy new year...

Prior to Christmas the Federal Government announced two new measures which are designed to assist businesses to manage cashflow and to help stimulate the economy.

10% temporary investment allowance

A temporary investment allowance will be introduced to encourage Australian businesses to undertake capital investment. The allowance will be an additional tax deduction equal to 10 per cent of the cost of an eligible asset.

It will apply to tangible assets used in carrying on a business for which a deduction is available and includes most types of plant and equipment, vehicles and other assets. It is confined to new assets and new expenditure on existing assets, used in Australia, which cost \$10,000 or more.

The investment allowance will be available for new assets which are acquired, held under a contract or constructed after 12.01am AEDT 13 December 2008 and before 30 June 2009. These assets need to be installed and ready for use by the end of 30 June 2010 in order for the investment allowance to be claimed.

Reduction of the February 2009 quarterly pay-as-you-go instalment for small businesses

There will be a 20 per cent reduction in quarterly pay-as-you-go (PAYG) instalments payable on 21 January 2009 or 28 February 2009. This reduction does not apply to PAYG withholdings and other tax liabilities, such as GST, Excise, or FBT payable at the same time.

The 20% reduction applies to the instalment amount shown on the Business Activity Statement (BAS) dispatched by the Australian Taxation Office (ATO) in December 2008 for the quarter ending on 31 December 2008. For most businesses, this instalment amount is due on or before 28 February 2009 (which falls on a weekend, therefore due and payable on 2 March 2009). For some small business (for example, small businesses who report and pay GST on a monthly basis), this due date is 21 January 2009. As such, for the quarter ending 31 December 2008, small business entities are only required to pay 80% of the instalment amount shown on the BAS on 21 January 2009 or 2 March 2009.

The reduction will be available to small business entities – generally those with aggregated turnover of less than \$2 million per annum. It does not apply to taxpayers who calculate their instalments based on the instalment rate notified by the ATO. Their payments will automatically adjust when they apply the given rate to their actual income for the quarter.

Further information...

For further information in relation to either of these new measures, please contact us on 9611 6611.