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CLIENT NEWSLETTER

10 March 2009

Temporary Investment Allowance for Business Taxpayers

We recently advised you that the Government has introduced an investment allowance for capital expenditure, whereby businesses can claim a **one-off tax deduction** for the purchase of eligible equipment.

Set out below are the key features of the investment allowance;

- The deduction will only be available for the purchase of **new depreciating business assets**, including motor vehicles. The deduction will not be available for the purchase of used assets, land, buildings or trading stock.
- The cost of each asset must be at least:
 - **\$1,000 for small businesses**
 - **\$10,000 for other businesses**
- For assets purchased between **13 December 2008 and 30 June 2009**, the deduction is equal to **30% of the capital cost** of the equipment. (This is in addition to the standard depreciation claimed for such assets.)
- For assets purchased between **1 July 2009 and 31 December 2009**, the deduction is equal to **10% of the capital cost** of the equipment. (This is in addition to the standard depreciation claimed for such assets.)
- Each asset must be **ready for use and installed by 30 June 2010**.
- Where an asset is partly used for private or non-taxable purposes, the allowance will be paid to the extent that the asset will be used for a taxable purpose in carrying on a business.

Also, if you are considering leasing a new car, note that the lessor may be able to pass on the investment allowance benefit to you. This would result in reduced lease payment amounts and fringe benefits tax (if applicable). We suggest you discuss this possibility with the lessor.

Please contact us if you would like any further information.

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Thinking of buying new equipment for your business?

If you are contemplating buying a new motor vehicle, machine, equipment, etc for your business we recommend that you consult with us to help you structure the purchase tax effectively and to hopefully save you money should you wish to finance the purchase.

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