

AUTOMOTIVE UPDATE

Accelerated depreciation of motor vehicles (instant asset write-off) has been increased from \$20,000 to \$30,000. This incentive has been extended to 30 June 2020 and is now offered to medium-sized businesses.

BDO has prepared this information to help you evaluate your eligibility for the accelerated depreciation incentive.

Accelerated depreciation

Small and medium business will be able to claim an immediate deduction for assets, including new and used motor vehicles, where the cost is less than \$30,000 (\$33,000 including GST), subject to business use.

This increased threshold of \$30,000 applies from 7.30 pm, 2 April 2019. Please note a threshold of \$25,000 applied for small businesses (but not medium businesses) for the period 19 January 2019 to 2 April 2019 (previously it was \$20,000).

Vehicles with a cost greater than \$30,000 will not be immediately deductible, however, potentially when the written down value falls below \$30,000 they can be immediately deductible (providing this occurs no later than the income tax year ended 30 June 2020).

Medium business

Generally, a medium business is one with an aggregated turnover of less than \$50 million in the 2018-19 financial year. You should check your eligibility with your accountant as this threshold has transitioned from \$2 million to \$50 million in recent years.

What is the tax benefit?

Small and medium businesses will be able to accelerate a deduction for depreciation for assets, including vehicles purchased up to \$30,000 (subject to business use).

For the income tax year ended June 2019, the income tax rates applicable to small and medium companies are now aligned at 27.5 per cent.

EXAMPLE

You are a small or medium business entity who is registered for GST and you purchase a new or used car with a GST inclusive value of \$32,999 (\$29,999 excluding GST).

The vehicle is purchased between 2 April 2019 and 30 June 2020 and used 100% in business.

As a small or medium business entity, you will be entitled to an immediate deduction of \$29,999. Also, you will be able to claim a GST input credit of \$2,999. No further depreciation available over the life of the vehicle.

BDO COMMENT

The ability to claim accelerated depreciation on eligible motor vehicles offers an excellent tax incentive for small and medium-sized businesses.

Please note this information is general in nature and should not be used as a substitute for your own professional advice. Any tax benefit that may be available will be subject to your own circumstances.





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AUTOMOTIVE TAX SAVINGS* READY RECKONER (financial years ending 30 June 2019 and 2020)

*Small/medium-business entity is a company (registered for GST) and the vehicle is used 100% for business purposes.

Vehicle cost (incl. GST)	Vehicle cost (excl. GST)	GST input tax credit	Immediate income tax deduction	Income tax savings (D x 27.5%)	Net vehicle cost (A-C-E)
A	B	C	D	E	F
\$15,400	\$14,000	(\$1,400)	\$14,000	(\$3,850)	\$10,150
\$16,500	\$15,000	(\$1,500)	\$15,000	(\$4,125)	\$10,875
\$17,600	\$16,000	(\$1,600)	\$16,000	(\$4,400)	\$11,600
\$18,700	\$17,000	(\$1,700)	\$17,000	(\$4,675)	\$12,325
\$19,800	\$18,000	(\$1,800)	\$18,000	(\$4,950)	\$13,050
\$20,900	\$19,000	(\$1,900)	\$19,000	(\$5,225)	\$13,775
\$22,000	\$20,000	(\$2,000)	\$20,000	(\$5,500)	\$14,500
\$23,100	\$21,000	(\$2,100)	\$21,000	(\$5,775)	\$15,225
\$24,200	\$22,000	(\$2,200)	\$22,000	(\$6,050)	\$15,950
\$25,300	\$23,000	(\$2,300)	\$23,000	(\$6,325)	\$16,675
\$26,400	\$24,000	(\$2,400)	\$24,000	(\$6,600)	\$17,400
\$27,500	\$24,999	(\$2,501)	\$24,999	(\$6,875)	\$18,124
\$28,600	\$26,000	(\$2,600)	\$26,000	(\$7,150)	\$18,850
\$29,700	\$27,000	(\$2,700)	\$27,000	(\$7,425)	\$19,575
\$30,800	\$28,000	(\$2,800)	\$28,000	(\$7,700)	\$20,300
\$31,900	\$29,000	(\$2,900)	\$29,000	(\$7,975)	\$21,025
\$32,999	\$29,999	(\$3,000)	\$29,999	(\$8,250)	\$21,749

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