

STOP PRESS!

INVESTMENT ALLOWANCE: BE CAREFUL

There are a number of traps associated with the Investment Allowance:

1. Who is considered to be a small business.
2. The qualifying period that applies to each of the three levels (10%, 30% and 50%).
3. The principal use requirement.
4. The minimum amount that must be spent.
5. What you are allowed to buy.

HOW DO THE TRAPS WORK?

1. A small business is one that will have a turnover of less than \$2M in either the year of purchase or first time use, or had a turnover of less than \$2M in the year prior to purchase or first time use.

WARNING: If you are connected or affiliated with more than one business, the turnovers of both may be added together to determine whether the \$2M turnover threshold has been exceeded. For example: If you are the sole director of both company A, which has an annual turnover of \$1.5M and company B, which has an annual turnover of \$1M, neither Company A or Company B will be entitled to the 50% tax deduction, as combined they have an annual turnover exceeding \$2M.

2. If you are a large business, you only have until 30 June 2009 to qualify for the 30% allowance, as it drops to 10% for any purchase made after this date (see tables below). Small businesses have until 31 December 2009 to claim the 50% rate.
3. The asset must have been bought with intention to use it principally in your business. Principally generally means more than 50%.
4. Small businesses must spend over \$1,000 and large businesses over \$10,000 to qualify (items that are identical or that form part of a set can be added together to determine if these limits are exceeded).

If you are unsure of your situation, please contact us.

TIME LIMITS

Small Business	New Investment after 12 December 2008 and before 31 December 2009
Installed by:	
30 June 2009	50% in 2008/09
30 June 2010	50% in 2009/10
31 December 2010	50% in 2010/11

Large Business	New Investment after 12 December 2008 and before:	
	30 June 2009	31 December 2009
Installed by:		
30 June 2009	30% in 2008/09	
30 June 2010	30% in 2009/10	10% in 2010/11
31 December 2010	10% in 2009/10	10% in 2010/11

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