



COVID-19 Initiatives To Assist SME's

Accelerated Depreciation deductions for new assets purchased between 12 March 2020 - 30 June 2021

Measures introduced in March 2020 provide an incentive to businesses with aggregated turnover of less than \$500 million for the 2019-20 and 2020-21 income years, to deduct the cost of depreciating assets at an accelerated rate.

This initiative will bring forward deductions that would otherwise be claimed in later years. Businesses with a turnover of less than \$500 million will be able to deduct 50% of the cost of the asset in the year of purchase substantially reducing the potential tax a business (you) may be required to pay.

Businesses can also claim a further deduction in that year by applying the normal depreciation rules to the balance of the asset's cost. This will presumably only be relevant if the business cannot already claim an immediate deduction for the full cost of the asset under the instant asset write off scheme.

The accelerated depreciation incentive will only be available in relation to new assets that are acquired after 12 March 2020 and are first used or installed ready for use by 30 June 2021. It will not apply to second-hand assets.

For example...

Let's assume that a business purchases a new trailer for \$400,000 (exclusive of GST) in July 2020. In the 2021 tax return the business would claim an upfront deduction of \$200,000 (i.e. 50% x \$400,000). The business would also claim a further deduction for the depreciation that would have arisen on the balance of the cost.

If the business is a small business entity and using the simplified depreciation rules, this would mean an additional deduction of \$50,000 (i.e. 25% x \$200,000).

The total deduction in the 2021 tax return would be \$250,000. Without the introduction of this investment incentive the business would have claimed a deduction of \$100,000 (i.e. 25% x \$400,000).

Banks are open, interest rates are low and loans are being approved!

In the midst of all this uncertainty, I would like to reassure you that Matt Crain has the expertise to ensure you get the best equipment finance loan in the marketplace.

Matt is in regular communication with banks and lenders, staying across their changing requirements and any business relief packages.

We are ready, willing and able to help you to get through these challenging times.

**Contact Matt Crain to discuss your finance options
on 0414 088 129 or matt@qpf.com.au.**

