

TEMPORARY FULL EXPENSING OF CAPITAL ASSETS — PROPOSED EXTENSION TO JUNE 2023

The Federal Government has announced its intention to extend the temporary measure to allow businesses to claim a deduction for the full cost of eligible capital assets, which may be relevant to the purchase of a new or used motor vehicle.

BDO has prepared this information to help you, the customer, evaluate eligibility to this incentive.

Temporary full expensing of capital assets

Businesses with an aggregated annual turnover of less than \$5 billion (for new assets), or \$50 million (for used assets), will be able to deduct the full cost of eligible capital assets acquired from 7:30pm AEDT on 6 October 2020 and first used or installed by 30 June 2023 (currently legislated to 30 June 2022).

Implications of the measure within the above timeframe are as follows:

- Businesses with annual aggregated turnover of less than \$5 billion will be entitled to an immediate tax deduction on eligible new capital assets
- Businesses with annual aggregated turnover of less than \$50 million will be entitled to an immediate tax deduction on eligible new and used capital assets.

New and used motor vehicles designed to carry a load of less than one tonne and fewer than nine passengers, subject to business use, may be able to claim an immediate deduction where the cost is less than \$59,136 including GST. This figure represents the car cost depreciation limit for the income tax year ended 30 June 2021. Therefore, even though the temporary full expensing concession does not have a cost limit (i.e. unlimited asset cost), the concession for cars defaults to \$59,136.

Other motor vehicles (e.g. commercial vehicles not designed principally to carry passengers), may be eligible for an immediate deduction not limited to \$59,136 including GST.

What is the tax benefit?

An eligible business will be able to accelerate tax deduction for depreciation for assets. The measure generously removes the \$150,000 instant asset write off limit to instead apply to capital assets of any cost price (subject to eligibility and business use).

For the income tax year ended 30 June 2021, the income tax rates applicable for companies with annual aggregated turnover of less than \$50 million and having 80% or less of its assessable income as base rate entity passive income is 26%, and for companies with aggregated turnover of greater than \$50 million, 30%.

Examples have been included on the back of this flyer to help you evaluate the tax savings applicable to the purchase of a new or used vehicle.

BDO COMMENT

The ability to claim accelerated depreciation on eligible motor vehicles offers an excellent tax incentive for small, medium and large 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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With our global reach, capacity and breadth of experience, we focus on key business issues and operational areas, while giving you constructive ideas to drive growth of your dealership.

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AUTOMOTIVE TAX SAVINGS* (financial year ended 30 June 2021)

VEHICLE COST (INCL. GST)	VEHICLE COST (EXCL. GST)	GST INPUT TAX CREDIT	IMMEDIATE INCOME TAX DEDUCTION	POTENTIAL INCOME TAX SAVINGS @ 26% = (D X 26.00%)	POTENTIAL INCOME TAX SAVINGS @ 30% = (D X 30.00%)	NET VEHICLE COST @ 26% = (A-C-E)	NET VEHICLE COST @ 30% = (A-C-F)
A	B	C	D	E	F	G	H
EXAMPLE 1 — New car (<\$5 billion turnover)							
\$94,599	\$85,999	(\$5,376)	\$53,760	(\$13,978)	(\$16,128)	\$75,245	\$73,095
EXAMPLE 2 — New or used car (<\$50 million turnover)							
\$33,000	\$30,000	(\$3,000)	\$30,000	(\$7,800)	(\$9,000)	\$22,200	\$21,000
EXAMPLE 3 — New or used commercial vehicle** (<\$50 million turnover)							
\$181,500	\$165,000	(\$16,500)	\$165,000	(\$42,900)	(\$49,500)	\$122,100	\$115,500

*Business entity is a company (registered for GST) and the vehicle is used 100% for business purposes

** Load carrying capacity greater than one tonne and fewer than nine passengers

EXAMPLE 1 — New car

You are a business entity with aggregated turnover of less than \$5 billion and registered for GST.

The entity purchases a new car with a cost price of \$85,999 excluding GST.

The car is first used between 6 October 2020 and 30 June 2023.

The car is used 100% for business purposes.

Your business will be entitled to an immediate tax depreciation deduction of \$59,136 (car cost depreciation limit).

EXAMPLE 2 — New or used car

You are a business entity with aggregated turnover of less than \$50 million and registered for GST.

The entity purchases a new or used car with a cost price of \$30,000 excluding GST.

The car is first used between 6 October 2020 and 30 June 2023.

The car is used 100% for business purposes.

Your business will be entitled to an immediate tax depreciation deduction of the full \$30,000 as this is lower than the car depreciation limit.

EXAMPLE 3 — New or used commercial vehicle (<\$50 million turnover)

You are a business entity with aggregated turnover of less than \$50 million and registered for GST.

The entity purchases a new or used commercial vehicle with a cost price of \$165,000 excluding GST.

The commercial vehicle is first used between 6 October 2020 and 30 June 2023. The commercial vehicle is used 100% for business purposes.

Your business will be entitled to an immediate tax depreciation deduction of the full \$165,000 given the car cost depreciation limit does not apply.

Note that if your turnover is <\$5 billion, you are eligible to apply the incentive to a new commercial vehicle.

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