

March 2021

Unlimited Instant Asset Write-Off

We still feel the “temporary full expensing” provisions are not well known. The ATO website does not make it clear that the previous instant asset write-off threshold of \$150,000 is now **unlimited**.

Tax planning is going to be critical this year to manage the effects of the “temporary full expensing” provisions. This allows a business to claim a deduction for 100% of the purchase price of an asset e.g. the purchase of a new \$800,000 header will create a \$800,000 tax deduction!

Most clients have previously added the cost of new assets to their general asset pool and claimed a tax deduction for depreciation at 15% for the first year and 30% in subsequent years.

At the end of the current financial year we will be able to claim a tax deduction of the entire written down value of the pool. In some situations this will be a deduction of hundreds of thousands of dollars. Clients with pool balances less than \$150,000 at 30 June 2020 have already been written off.

This change to depreciation is significant and will create tax planning opportunities. However, it may also create some unexpected tax problems.

Let’s use an example of a client selling an old header after harvest and taking delivery of a new header before the next harvest. Assuming the client’s general asset pool was less than \$150,000 in the 2020 year it would have been written off and a tax deduction claimed. If the header was sold after harvest in March 2021 for \$100,000 the \$100,000 will be taxable income. Assuming the new header was delivered in August 2021 (the next financial year) for \$800,000 the deduction

for the new header of \$800,000 will not be available to offset against the sale of the old header because it is in the next financial year.

To be eligible to use the temporary full expensing provision the business must have a turnover of less than \$5b and \$50m for second hand assets.

To be able to claim a deduction, the assets must be “installed and ready for use”. This means the delivery and not simply paying for the asset before 30 June.

This provision is in place until 30 June 2022.

This will be a key focus of our 2021 tax planning offering.

FAQ: Does this new instant asset write off limit apply to cars as well?

No, there is a ceiling value applied to higher-value vehicles.

For example, if the luxury car limit is set at \$59,136 for the 2020/21 financial year and you buy a Toyota Sahara for \$137,000, you’ll only be able to claim the cost limit less GST against your taxable income. How this works:

Cost of vehicle:	\$137,000
Cost limit of vehicle	\$59,136
Business use	80%

The maximum depreciation/write-off allowable for the purchase of the Sahara would be **\$43,008**. This is the cost limit of the vehicle (\$59,136) multiplied by the business use percentage (80%) less GST on the business use percentage. Therefore, the maximum GST claimable would be \$4,300.

The cost limit for vehicles is for cars and station wagons, including four-wheel drives. For a vehicle to be exempt from these rules, it must be classified as a commercial vehicle, i.e. designed to carry a load rather than passengers, eg. utes



AgriStarter – support to buy first farm

This is a loan scheme offered by the Regional Investment Corporation (RIC). It has many of the same features as the RIC drought loans.

Its purpose is to support first time farmers wanting to buy a farm or used to support a farm succession arrangement to the next generation.

The loan can be used to cover 50% of the debt. The other 50% must be held with a commercial lender (bank).

Loan terms

Maximum loan amount	\$2 million
Interest rate	1.77% variable
Interest only period	5 years
Term of loan	10 years

The biggest barrier to a first time farm buyer is capital. Banks typically require a deposit of approx. 40-60%. One of the conditions of the AgriStarter loan is to show that the borrower “has existing debt or can obtain commercial debt”. Our interpretation is that there is still a requirement for a 40-60% deposit.

We can see opportunity to use this loan in a succession between generations, but it will still involve two financiers (a commercial bank & RIC) which can sometimes create more complications than value.

This loan scheme has only recently been released and we will keep you updated on its practical applications.

For more information head to the Regional Investment Corporation website:

<https://www.ric.gov.au/agristarter>



Apprentice wage subsidy

The government initiative of apprentice and trainee wage subsidy aims to support employers and group training organisations taking on new apprentices. This is available to employers of any size, industry or location. Those who are eligible may receive a subsidy of up to 50% of the apprentices’ gross paid wage.

You may be eligible if:

- You engage an Australian Apprentice between 5 October 2020 and 30 September 2021, and
- Your Australian Apprentice or trainee is undertaking a Certificate II or higher qualification, and has a training contract that is formally approved by the state training authority.

However, you will not be eligible if you are already receiving wage subsidies such as supporting apprentices and trainees or JobKeeper.

Meet Lucy!

Lucy, originally from Nyngan, has moved to Dubbo to complete her gap year with us. As a bookkeeper, Lucy will be preparing activity statements, tax returns and assisting reception. Lucy will spend the year immersed in the tax and accounting world before heading off to university for further study.



Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information’s applicability to their particular circumstances. Limited Liability by a scheme approved under Professional Standards Legislation.