



Deduction rules for small business

Spending on capital assets usually cannot be deducted immediately. Instead, small businesses claim the costs over time in accordance with the assets' depreciation.

There are many different processes that businesses can employ to make claims on their assets. For small businesses with lower-cost assets, methods such as simplified depreciation or the threshold rule can help to make more effective claims.

Simplified depreciation:

Under simplified depreciation rules, business owners can immediately deduct the business portion of each depreciating asset that was first used or installed ready for use up to:

- \$30,000 from 7:30pm (AEDT) on 2 April 2019 until 30 June 2020
- \$25,000 from 20 January 2019 until 7:30pm (AEDT) on 2 April 2019.
- \$20,000 before 29 January 2019.

Owners can also pool the business portion of most other depreciating assets that cost more than the relevant threshold in a small business asset pool. Then they can claim a 15% deduction in the first year, in the year they start to use them or have them installed ready for use, and then a 30% deduction each year after. When less than the relevant threshold, the balance of the small business pool can then be written off at the end of an income year. This is calculated before applying any other depreciation deductions.

The threshold rule:

The threshold rule allows owners to claim an immediate deduction for most expenditure of \$100 or less, including any GST, to buy physical assets for the business. The rule is designed to help save time as purchases don't have to be specified if they are of revenue or capital nature. The threshold rule doesn't apply separately to expenditure on an element of a composite asset. This means items that are not functional on their own wouldn't normally be classified as a separate asset. Some examples of items costing \$100 or less that fall within the threshold rule are:

- Office equipment - staplers, pens, books etc.
- Catering items - cutlery, glasses, table linen etc.
- Tradesperson small hand tools - pliers, screwdrivers, hammers etc.

The threshold rule doesn't apply to expenditure on:

- Establishing a business, business venture, building-up a significant store or stockpile of assets.
- Assets held under a lease, hire purchase or similar arrangement.
- Assets acquired for lease or hire to (or that will otherwise be used by) another entity.
- Any part of a collection of assets that are dealt with commercially as a collection.
- Trading stock or spare parts.

A tailored approach for each business is recommended so call us for assistance and advice on 4927 4588 (Rockhampton) or 4939 1766 (Yeppoon) to see how we can help.

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