

## ➤ Economic stimulus package

On 3 February 2009 the Government released its economic stimulus package, *Nation Building and Job Plan*. Key proposals in this package include:

- a range of energy efficiency initiatives including free installation of ceiling insulation, a low emissions rebate plan for renters, and an increase in the Solar Hot Water Rebate;
- infrastructure investment in schools, rail and road safety projects, and defence and social housing;
- a revamping of the proposed small business and general business temporary investment allowance; and
- cash bonuses for low and middle income households.

Set out below are some details about the temporary investment allowance and cash bonuses that may be of interest to you.

## ➤ Bonus investment allowance

In our recent February 2009 newsletter we let you know about plans, announced on 12 December 2008, for a temporary 10% investment allowance to encourage capital investment by Australian businesses.

This 12 December 2008 announcement has now been replaced by further new proposals in the Government's *Nation Building and Job Plan* package.

How quickly things change in the world of tax!!

The proposals as they stand at present are:

- all businesses will be able to claim a bonus deduction of either 30% or 10% on expenditure for eligible assets;
- where your business acquires an eligible asset between 12.01am AEDT 13 December 2008 and the end of June 2009 and has it installed ready for use before the end of June 2010, you will be able to claim a bonus tax deduction of 30% of the cost of the asset;
- where your business acquires an eligible asset between July 2009 and the end of December 2009 and has it installed ready for use before the end of December 2010, you will be able to

claim a bonus tax deduction of 10% of the cost of the asset;

- there are different eligibility spending thresholds for small businesses (one that has a turnover of \$2 million per year or less) and other businesses;
- small businesses will only need to spend a minimum of \$1,000 per eligible asset in order to qualify for this special deduction. Other businesses will be entitled to the same deductions if they spend a minimum of \$10,000 per eligible asset;
- assets eligible for this allowance are new tangible depreciating assets and new expenditure on existing assets used in carrying on your business and for which you can claim a capital allowance deduction; and
- this bonus deduction is on top of the usual capital allowance (depreciation) deduction that you can claim for eligible assets.

### Example

The Treasurer released the following example illustrating how this bonus deduction will work.

*A landscaping business entered into a binding contract to acquire a new backhoe on 20 May 2009 at an all inclusive cost of \$60,000. The backhoe is delivered and ready for use on 20 June 2009 and has an effective life of 9 years.*

*The business will be entitled to claim the 30% deduction because:*

- *a backhoe is a depreciating asset for which the business would be entitled to claim a capital allowance deduction;*
- *the backhoe exceeds the expenditure threshold of \$1,000 for small businesses and \$10,000 for all other businesses;*
- *the business started to hold the backhoe before the end of June 2009; and*
- *the backhoe was installed ready for use before the end of June 2010.*

*The deduction will be 30% of the eligible cost of the backhoe - \$18,000 (30% of \$60,000).*

*When lodging its 2008-09 income tax return the business will be able to claim this bonus deduction in addition to the usual depreciation deduction on the backhoe.*

*If the business delays this investment until after 30 June 2009 – for example, until 1 September 2009 – and has it installed ready for use before the end of December 2010, the 10% rate would apply. It would be able to claim a deduction of \$6,000 (10% of \$60,000).*

#### **TIP!**

It's still early days and this proposal is not law as yet. We haven't seen the legislation for this bonus one-off investment allowance – we are expecting it to be released by the end of February 2009.

### ➤ **Cash bonus for taxpayers**

The Government announced the following five one-off cash payments for eligible taxpayers.

#### **Tax Bonus for Working Australians**

The Government will provide an up-front, lump-sum tax bonus of up to \$950 to around 8.7 million Australian workers earning \$100,000 or less:

- \$950 bonus will be paid to eligible taxpayers with a taxable income of up to and including \$80,000;
- \$650 bonus will be paid to eligible taxpayers with taxable incomes exceeding \$80,000 and up to \$90,000; and
- \$300 bonus will be paid to eligible taxpayers with incomes exceeding \$90,000 up to and including \$100,000.

You don't need to apply for the payment. The Australian Taxation Office will automatically make the payment after determining eligibility based on your 2008 tax return. The Government has indicated that these payments could start flowing in April 2009.

#### **Single Income Family Bonus**

Families who are eligible for Family Tax Benefit Part B (FTB-B) on 3 February 2009 will receive the Single Income Family Bonus of \$950. Most of these payments are expected to be made automatically by Centrelink in the fortnight commencing 11 March 2009, will be non-taxable and will not be counted as income for social security purposes.

#### **Farmer's Hardship Bonus**

You will receive a lump-sum payment of \$950 if, on 3 February 2009, you are a drought affected farmer or farm dependent small business receiving exceptional circumstances related income support. The payments are expected to be made in the

fortnight commencing 24 March 2009. They are not taxable and nor will they be counted as income for social security purposes.

#### **Back to School Bonus**

The Government's \$950 Back to School Bonus will provide a one-off, up-front bonus to be paid to families eligible for Family Tax Benefit Part A (FTB-A) on 3 February 2009, for each eligible child of school age (aged 4 to 18 on 3 February 2009). This is in addition to and separate from the Education Tax Refund.

#### **Training and Learning Bonus**

There will also be a \$950 training and learning bonus for eligible students and people outside the workforce returning to study.

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