

# Business urged to use investment tax break

■ Adam Orlando

BUSINESS owners could save millions of dollars updating plant and equipment through legislation being drafted by the federal government.

A component of the government's \$42 billion fiscal stimulus package, the Temporary Investment Allowance aims to encourage capital investment by providing an additional 30 per cent tax deduction for equipment bought before June 30 this year.

Treasurer Wayne Swan said that, if approved, the TIA would be additional to the normal depreciation of assets, although only new assets used in Australia will be eligible for the deduction.

He said land purchases, trading stock and building capital works would not qualify for the deduction.

Corporate business broker at West Leederville-based Ellis Corporate, Clinton Bradbury, said the rebate could bolster confidence and entice investors to buy businesses.

"Many businesses are feeling disenchanted with the global economic downturn and this will be giving them an unprecedented opportunity to sell their business," Mr Bradbury told *WA Business News*.

Partner at Joondalup-based accounting firm McKinley Plowman, Nigel Plowman, urged those businesses considering buying plant and equipment to finalise decisions now.

He said business owners who often delayed capital purchases until the end of the financial year risked missing out on the full deduction if the legislation was passed.

"But we're warning clients not to proceed making huge investments for the sake of getting a tax deduction because the TIA hasn't been

## TAX BREAK

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passed yet," Mr Plowman told *WA Business News*.

"If a decision to purchase is solely being driven by the TIA then it may be prudent to wait until [it] has at least started its passage through parliament and your accountant has more detailed information."

Mr Plowman said small businesses with annual turnovers of less than \$2 million would be eligible for the allowance after an equipment investment of \$1,000, while businesses with higher turnovers would have to spend at least \$10,000.

Paul Moran, a finance partner at McKinley Plowman, said business owners ready to invest in new equipment had much to gain from the allowance, which could be a sweetener to current low interest rates and excellent buying opportunities.

He said stricter lending policies meant finance approvals were being scrutinised more intensely.

Michael Lewin, general manager of Perth-based commercial finance brokers Pacific Finance Australia, warned that the proposed 30 per cent allowance would only apply to eligible assets ordered after December 13 2008 and before June 30 2009.

"This is a valuable tax break with real cash-flow benefits, but businesses wishing to benefit will need to assess their position quickly and place their orders," Mr Lewin said.