

supplies cannot be deliberately interposed for the purposes of reducing the margin on a subsequent taxable supply.

THE SMALL BUSINESS AND GENERAL TAX BREAK

This is taken from “frequently asked questions” on the Treasury website. Broadly, a business is entitled to a 50% tax deduction (in addition to depreciation) on the cost of an eligible asset

The 50% tax deduction applies for small business (less than 2 million turnover). Otherwise the 30% tax deduction applies. We assume in the below analysis we are dealing with a small business.

Will the Tax Break be reduced for any non-taxable use of the asset?

Unlike deductions under Division 40 (and previous investment allowances), the Tax Break will not be reduced for any non-taxable use of the asset or apportioned based on the actual taxable use of the asset over a particular income year. This approach improves certainty for taxpayers.

However, if you are the entity claiming the Tax Break, you must be able to demonstrate that at the time you started to use the asset, or had it installed ready for use, it was reasonable to conclude that you will use the asset principally in Australia for the principal purpose of carrying on your business. The ATO can assist you with understanding whether or not you are carrying on a business, the meaning of ‘principal purpose’ and whether an asset is being used in Australia.

Does the asset need to be used in Australia?

An asset does not necessarily have to be located in Australia when you start to use it or have it installed ready for use. However, the purpose test will not be satisfied if it is reasonable to conclude that it will never be used in Australia.

CARS AND THE TAX BREAK

Do all cars qualify, or are there restrictions?

There are four methods that taxpayers can use to work out deductions for car

expenses for an income year. The choice of method will also determine whether the taxpayer can claim capital allowance deductions under Division 40 in relation to the car.

Taxpayers who use the ‘one-third of actual expense’ and ‘log book’ methods are able to claim deductions under Subdivision 40-B and may be eligible for the Tax Break.

Taxpayers using the ‘12 per cent of original value’ and ‘cents per kilometre’ methods to determine the car expenses are not eligible for capital allowance deductions.

However, taxpayers will not be excluded from the Tax Break merely because they use the 12 per cent of original value method. That is, the legislation rules these cars ‘in’ for the purposes of the Tax Break even though a deduction is not available under Subdivision 40-B.

Taxpayers cannot claim the Tax Break in an income year they use the cents per kilometre method. However, this method can only be used for up to 5,000 business kilometres, implying limited business use.

- (a) That is, taxpayers using this method would generally find it difficult to meet the purpose test and so would not be eligible for the Tax Break anyway.
- (b) In comparison, the 12 per cent of original value method can only be used if you travel more than 5,000 business kilometres.

Does the car limit apply to the Tax Break?

Under Division 40, luxury cars (those that cost more than the car limit) have their cost reduced to the car limit for the purpose of calculating capital allowance deductions. This means that a taxpayer who is eligible to claim the Tax Break for a luxury car will have to use the car limit when working out the amount of their deduction.

The car limit for 2008-09 is \$57,180 and is indexed annually in line with the motor vehicle purchase sub-group of the CPI. This means that, at the 50% rate, the maximum bonus deduction

available for a car in 2008-09 is \$28,590.

VICTORIAN STATE BUDGET 2009 -2010

The 2009-2010 Victorian Budget was delivered on Tuesday 5th May, 2009. The budget features infrastructure spending to secure jobs and to stimulate the economy. The Victorian Treasurer Mr Lenders said that, in the Budget, the Victorian Government had delivered the tenth budget surplus in a row since 1999, providing a \$165 million buffer for the coming financial year.

REVIEW INTO ATO ADMINISTRATION OF PRIVATE RULINGS

The Inspector-General of Taxation (IGT) is currently conducting a review of the ATO’s administration of private rulings on income tax matters. The review will focus on the following areas:

- Purpose, use and ongoing relevance of the register of edited private rulings and the relationship of this register to the ATO’s more authoritative forms of guidance
- Relationship of this register to the ATO’s more authoritative forms of advice
- An investigation of the timeless, accessibility and productivity issues for private rulings and issues concerning their binding nature.

CHANGE TO DELIVERY OF FAMILY TAX BENEFIT (FTB)

From 1 July, 2009, FTB will be delivered through the Family Assistance Office (FAO) via Centrelink and Medicare Australia.

Taxpayers will no longer be able to claim family assistance payments through the ATO. This change will have little impact on most families, who will still be able to claim FTB as a fortnightly payment or a lump sum payment through the FAO.

Letters are being sent to ‘customers’ who claimed FTB through the ATO for the 2006/07 financial year (which represents 7% of all FTB claims). Families can lodge claims for FTB with the FAO at any Centrelink Customer Service Centre or Medicare