

## TO ENSURE YOU CAN CLAIM THE INVESTMENT ALLOWANCES



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### FREQUENTLY ASKED QUESTIONS

**Q: What is the investment allowance?**

**A:** It's part of the Government's Stimulus package that allows businesses to claim up to an EXTRA 50% tax deduction on the purchase price (ex GST), for new (& demonstrator) business-use assets purchased within the Tax Office's time-lines.

**Q: Isn't that just my normal depreciation claim brought forward?**

**A:** No, the Investment allowance allows you to claim up to an EXTRA 50% "one-off" tax deduction in the tax year the asset is purchased. You are still entitled to claim the full depreciation over the normal 'life' of the asset (i.e. you may actually be able to claim up to 150% of the asset's value over time).

**Q: What assets are covered by the Investment Allowance?**

**A:** Any capital equipment or rebuild that a business would normally claim depreciation for. It includes vehicles, (subject to relevant luxury car tax limits & excluding cars already claimed on a cents per KM basis). It includes plant, equipment and machinery as well as computer hardware, but not software, stock or consumables.

**Q: What is the minimum purchase price per item?**

**A:** For businesses with a turn-over of less than \$2M p/a the minimum cost per item must be \$1,000

**A:** For businesses with a turn-over of more than \$2M p/a the minimum cost per item must be \$10,000

**Q: Great! Can I buy two \$900 laptops and get the Investment Allowance?**

**A:** No, the minimum cost is per item. Although items that form a "set" or are "inter-dependent" may be applicable.

**Q: How do I claim the Investment Allowance?**

**A:** The Tax Office has provided new tax return forms for your accountant. These have a section specifically for Investment Allowance deductions.

**Q: What are the dead-lines?**

**A:** For businesses with a turn-over of less than \$2M p/a the deadline is as follows. The asset must be ordered before 31 December 2009 and installed ready for use no later than 31 December 2010 to be entitled to the 50% Investment Allowance.

**A:** For businesses with a turn-over of more than \$2M p/a there are 2 Deadlines; EITHER. The asset must have been ordered before 30 June 2009 and be installed ready for use by 30 June 2010 for a 30% Allowance **OR**. The asset must be ordered before 31 December 2009 and installed ready for use by 31 December 2010 for a 10% Allowance.

**Q: I want to preserve my cash-flow what's the best way to finance new purchases?**

**A:** Chattel Mortgage is the preferred option for many clients as under such a structure the asset is seen to be sold to the client (not a 3<sup>rd</sup> party financier). This ensures that both order and sale are to the same entity even where delivery occurs up to 12 months after the order deadline.

**Q: I have paid cash for a new car in January 2009. Can I still Claim the Allowance?**

**A:** Yes, the start date is for assets purchased on or after December 13 2008.

**Q: Can I finance assets I have already paid cash for in the last 6 months?**

**A:** Yes you may, subject to lender's specific approval criteria. You should talk to Finlease without delay.

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**N.B.** Information contained on this page doesn't take into account your specific circumstances. You should seek confirmation from your accountant.

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