

STIMULUS EXTENDED TO 31 DECEMBER 2020: INSTANT ASSET WRITE-OFF

As a result of the stimulus package, there are two key thresholds which have significantly increased and may be relevant to the purchase of a new or used motor vehicle.

The instant asset write-off stimulus package has now been extended to 31 December 2020 and BDO has prepared this information to help you, the customer, evaluate eligibility for this incentive.

Instant asset write-off

New and used motor vehicles designed to carry a load of less than one tonne and fewer than nine passengers, subject to business use, may be able to claim an immediate deduction where the cost is less than \$59,136 excluding GST (previously \$30,000 excluding GST).

The significance of \$59,136 is that this represents the car cost depreciation limit, so regardless that the concession applies to assets up to \$150,000 excluding GST, the concession for cars defaults to the \$59,136.

For other motor vehicles, e.g. commercial vehicles designed not principally to carry passengers, may be able to claim an immediate deduction where the cost is up to \$150,000 excluding GST.

The motor vehicle must be first used between 1 July 2020 and 31 December 2020.

There is an aggregated turnover threshold of \$500m (previously \$50m).

What is the tax benefit?

An eligible business will be able to accelerate a deduction for depreciation for assets, including vehicles purchased up to \$150,000 excluding GST (subject to business use).

For the income tax year ended June 2021, the income tax rates applicable to small and medium companies are now aligned at 26 per cent and 30 per cent for large businesses.

A ready reckoner has been included on the back of this flyer which should help you evaluate the tax savings applicable to the purchase of a new or used vehicle, across a range of values.

EXAMPLE

You are a business entity with aggregated turnover of less than \$500m and registered for GST.

The entity purchases a new or used vehicle with a value up to \$150,000 excluding GST.

The vehicle is first used between 1 July 2020 and 31 December 2020.

The vehicle is used 100% for business purposes.

Your business will be entitled to an immediate depreciation deduction of up to \$59,136 (car cost depreciation limit).

BDO COMMENT

The ability to claim accelerated depreciation on eligible motor vehicles offers an excellent tax incentive for small, medium and large businesses.

Please note this information is general in nature and should not be used as a substitute for your own professional advice. Any tax benefit that may be available will be subject to your own circumstances.



BDO works with clients across all aspects of the automotive sector in Australia. Our team provides strategic advice, helping you make informed decisions to maximise the value of your automotive business.

With our global reach, capacity and breadth of experience, we focus on key business issues and operational areas, while giving you constructive ideas to drive growth of your dealership.

BDO is one of Australia's largest professional services firms with offices in Adelaide, Brisbane, Cairns, Darwin, Hobart, Melbourne, Perth, Sydney and Sunshine Coast.

Today, our Australian offices have 180 Partners and 1,350 staff providing a full range of audit, tax and advisory services.

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AUTOMOTIVE TAX SAVINGS* READY RECKONER (financial year ended 30 June 2021)

*Small/medium/large business entity is a company (registered for GST) and the vehicle is used 100% for business purposes.

Vehicle cost (incl. GST)	Vehicle cost (excl. GST)	GST input tax credit	Immediate income tax deduction	Income tax savings (D x 26.00%)	Income tax savings (D x 30.00%)	Net vehicle cost (A-C-E) 26.00%	Net vehicle cost (A - C - F) 30.00%
A	B	C	D	E	F	G	H
\$11,000	\$10,000	(\$1,000)	\$10,000	(\$2,600)	(\$3,000)	\$7,400	\$7,000
\$16,500	\$15,000	(\$1,500)	\$15,000	(\$3,900)	(\$4,500)	\$11,100	\$10,500
\$22,000	\$20,000	(\$2,000)	\$20,000	(\$5,200)	(\$6,000)	\$14,800	\$14,000
\$27,500	\$25,000	(\$2,500)	\$25,000	(\$6,500)	(\$7,500)	\$18,500	\$17,500
\$33,000	\$30,000	(\$3,000)	\$30,000	(\$7,800)	(\$9,000)	\$22,200	\$21,000
\$38,500	\$35,000	(\$3,500)	\$35,000	(\$9,100)	(\$10,500)	\$25,900	\$24,500
\$44,000	\$40,000	(\$4,000)	\$40,000	(\$10,400)	(\$12,000)	\$29,600	\$28,000
\$49,500	\$45,000	(\$4,500)	\$45,000	(\$11,700)	(\$13,500)	\$33,300	\$31,500
\$55,000	\$50,000	(\$5,000)	\$50,000	(\$13,000)	(\$15,000)	\$37,000	\$35,000
\$60,500	\$55,000	(\$5,500)	\$55,000	(\$14,300)	(\$16,500)	\$40,700	\$38,500
\$65,050	\$59,136	(\$5,914)	\$59,136	(\$15,375)	(\$17,740)	\$43,761	\$41,396
A "CAR above \$59,136 excluding GST will be limited to the GST Input Tax Credit and Income Tax Saving show on the line immediately above.							
A "COMMERCIAL VEHICLE" above \$59,136 excluding GST will be able to claim further Input Tax Credits and Tax Savings as shown below.							
\$66,000	\$60,000	(\$6,000)	\$60,000	(\$15,600)	(\$18,000)	\$44,400	\$42,000
\$77,000	\$70,000	(\$7,000)	\$70,000	(\$18,200)	(\$21,000)	\$51,800	\$49,000
\$88,000	\$80,000	(\$8,000)	\$80,000	(\$20,800)	(\$24,000)	\$59,200	\$56,000
\$99,000	\$90,000	(\$9,000)	\$90,000	(\$23,400)	(\$27,000)	\$66,600	\$63,000
\$110,000	\$100,000	(\$10,000)	\$100,000	(\$26,000)	(\$30,000)	\$74,000	\$70,000
\$121,000	\$110,000	(\$11,000)	\$110,000	(\$28,600)	(\$33,000)	\$81,400	\$77,000
\$132,000	\$120,000	(\$12,000)	\$120,000	(\$31,200)	(\$36,000)	\$88,800	\$84,000
\$143,000	\$130,000	(\$13,000)	\$130,000	(\$33,800)	(\$39,000)	\$96,200	\$91,000
\$154,000	\$140,000	(\$14,000)	\$140,000	(\$36,400)	(\$42,000)	\$103,600	\$98,000
\$165,000	\$150,000	(\$15,000)	\$150,000	(\$39,000)	(\$45,000)	\$111,000	\$105,000

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