Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 17

Topic: The 30% Investment Allowance

Hansard Page: Written

Senator Williams asked:

1. Regarding the 30% Investment Allowance, can people who are seeking to invest in water infrastructure choose to depreciate their investment under with Subdivision 40-B or take advantage of the accelerated depreciation available under 40-F?
2. If they choose to depreciate under 40-B would they be eligible?
3. Is there a choice between 40-B and 40-F with regards to water infrastructure?
4. If it is only under 40-F, does that mean people in this situation are unable to take advantage of the investment allowance?

Answer:

1. The Small Business and General Business Tax Break is available for new tangible, depreciating assets for which a deduction is available under Subdivision 40-B of the *Income Tax Assessment Act 1997*.

Assets that receive capital allowance deductions under other Subdivisions of Division 40 are excluded by subsection 40-50(1) from deductions under Subdivision 40-B and are not eligible for the Tax Break.

Taxpayers do not have the option of electing to receive a deduction under Subdivision 40-B where a deduction is available under another Subdivision of Division 40. This includes depreciating assets such as water facilities that receive deductions under Subdivision 40-F.

2. & 3. See answer to question 1.

4. Assets for which a deduction is available under Subdivision 40-F already receive concessional treatment under the tax law – that is, they can be ‘written off’ over a shorter period than their effective life. For example, some assets that are considered to have an effective of more than a decade, such as dams (40 years) and irrigation pumps (12 years) are able to be ‘written off’ over three years.

Subdivision 40-F provides an ongoing concession to taxpayers that invest in water facilities at an estimated cost of $30 million per year. In contrast, the Tax Break is a temporary assistance measure.