

W8-2 Capital allowances

1. Depreciation Division 40

Depreciating asset S40-30

• **Definition:** Has a limited effective life (S40-95) & Can reasonably be expected to decline in value over the time it is used **S40-30(1)**

Covered: assets including plant, fixtures, improvements, some intangible assets

Includes: listed intangible assets / assets that are fixtures to land S40-30(2) & (3)

Excludes: land and trading stock S40-30(1)a b / capital works S40-52(2) / intangible assets not listed in S40-30(2) / special provisions or treatment S40-45/50 特别规定

• Composite assets S40-30(4); TR94/11

They all work together to provide a single function-> depreciate as a single asset

• The holder can claim the depreciation deduction S40-25

Usually the legal owner/ the economic owner (who bears all the risks & benefits)

• **How much** can claim: Must be used for a 'taxable purpose' (income making purpose) 想, 但不一定要做到 **S40-25(2)**

Methods: **S40-75 Prime cost**-- $\frac{\text{cost}}{\text{effective life}} \times \frac{\text{days held}}{365}$

S40-72 Diminishing value-- $\frac{\text{base value}}{\text{effective life}} \times \frac{\text{days held}}{365} \times 200\%$

(Base value= opening adjustable value= cost – decline in value 每年都算一次)

• Start time: earliest of when you first use it/ installed ready for use **S40-60**

Can't change method once chosen S40-130(2)

If asset is acquired from an associate you must use their method: s40-65(2)

Keep using same method if holder remains but ownership changes: s40-65(3)

Asset's costs:

1st Element S40-180&185: the amount you pay for the asset (delivery; installation)

Adjustments: market value if not arm's length transaction/ non-capital expenses excluded **S40-220** 本就可 d, 不能算进来以防 double deductions **S40-215**

2nd Element S40-190: amount paid to bring the asset to its present condition and location after you started to hold it 升级费

Termination value (~ sale price) vs **Adjustable value** (~ carrying value) **S40-285**

If TV > AV: profit is included in assessable income

If TV < AV: loss is included in deductions

If asset was not used 100% for taxable purpose: apportion

Small cost items

Non-business income small cost asset **S40-80(2)**—deduct 100% of cost:

Asset total cost not exceed **\$300** + mainly used for producing **non-bz income**

2. Cars (1t 9 人)

Element 1: capped at 'car limit' **\$57581** (最多不超过这个数) **S40-230; TD2016/8**

Element 2: same as depreciation

3. Blackhole—bz-related costs S40-880

Only if no other sections apply to the cost (ie S8-1; CGT; depreciation)

Require a nexus to 'bz related costs'

Depreciate over 5 years on straight line basis (small bz 和个人可以立刻 deduct)

4. Capital works deductions Division 43

Deduction for capital expenditure on buildings that are used for income-producing purpose

Includes: Buildings/ Structural improvements/ Environmental protection earthworks **S43-20**

Deduction only available once construction is completed **S43-30** (base on construction value)