



## Australian Government

### The Treasury

## SMALL BUSINESS AND GENERAL BUSINESS TAX BREAK

### SUMMARY OF CONSULTATION PROCESS

The Government announced on 3 February 2008 that it would introduce the Small Business and General Business Tax Break to boost business investment, bolster economic activity and support Australian jobs in the face of the global recession

This measure was included in Tax Laws Amendment (Small Business and General Business Tax Break) Bill 2009, which was introduced into Parliament on 19 March 2009.

#### Consultation process

Consultation on the draft legislation was conducted between 25 February and 10 March 2009. 62 submissions were received.

Submissions can be viewed by clicking on the following link.

<http://www.treasury.gov.au/contentitem.asp?ContentID=1507&NavID=037>

#### Summary of key issues

Submissions generally supported the introduction of the Tax Break and saw the initiative as an important policy to boost business confidence in the current economic environment.

##### *Policy issues*

Some submissions questioned the exclusion of second hand assets, software and water facilities from the Tax Break, and suggested that these assets should be eligible.

Submissions raised issues over the dates involved in being eligible for the Tax Break. Some submissions suggested that assets which were contracted for and installed prior to 12 December 2009 should be eligible. Others suggested that the duration of the Tax Break should be extended, by extending the dates for contracting and installing the asset beyond 30 June 2009 and 30 December 2010, respectively (for the 30 per cent deduction).

##### *Implementation issues*

Some submissions suggested that the Tax Break should be made transferable under a leasing agreement from lessor to lessee. Other submissions considered that the entitlement should not be transferable.

Many submissions suggested that taxpayers be allowed to combine the value of batches of identical assets and assets that form part of a set to meet the investment threshold in certain circumstances.



## Australian Government

### The Treasury

One submission suggested that taxpayers who exercise an option to acquire a new asset under an existing contract should be eligible for the Tax Break if this option is exercised after 12 December 2008.

#### **Response**

##### *Main changes made as a result of consultation:*

Taxpayers who exercise an option to acquire a new asset under an existing contract will be eligible for the Tax Break if this option is exercised after 12 December 2008 and they meet the other criteria.

Taxpayers may also be eligible for the Tax Break where they combine the value of batches of identical assets and assets that form part of a set to meet the investment threshold in certain circumstances.

##### *Suggestions that were not adopted:*

Proposals to make second hand assets, software and water facilities eligible for the Tax Break were not adopted. As with previous investment allowances, the Tax Break applies to new assets. In this way it is carefully targeted toward expenditure that will add to economic activity and the country's capital stock. Intangible assets (such as software) are not considered to be plant and equipment. Water facilities will not be eligible as they already receive a concessional write-off under Subdivision 40-F of the *Income Tax Assessment Act 1997*.

The dates for contracting and installing of the asset have not been extended. Extending these dates would diminish the ability of the Tax Break to provide a timely stimulus to the economy.

The proposal to allow the Tax Break to be transferable from a lessor to lessee was not adopted. Adopting this suggestion would give rise to significant complexity. In this regard, it should be noted that a deductions under Division 40 (capital allowances) also cannot be transferred.

#### **Feedback**

Feedback on the consultation process for this measure can be forwarded to [consultation@treasury.gov.au](mailto:consultation@treasury.gov.au). Alternatively, you can contact Matthew Flavel on (02) 6263 4382.

Thank you to all participants in the consultation process.