

In relation to the draft legislation for the small business and general business tax break, please consider the removal of the exclusion that prevents expenditure on new water conservation facilities by primary producers, from being eligible for the temporary bonus income tax deduction for new investment.

With the prolonged drought conditions facing Australian farmers, and the impact that climate change will have on their businesses, any incentive to spend money on water conservation facilities should be encouraged.

Whilst it is acknowledged that accelerated depreciation rates are already available for expenditure on water conservation facilities under Division 40-F, the overall income tax deduction on new water conservation facilities (100% of cost) will be lower than the amount available to other assets that are eligible for the temporary bonus income tax deduction (130% of cost).

If the reason for excluding expenditure on water conservation facilities is due to the accelerated depreciation rates under Division 40-F, than an alternative approach could be to allow the primary producer to select which method of depreciation they use. If they select to depreciate the new water conservation facilities under Division 40-B, they would be eligible for the bonus income tax deduction for new investment. If they select to depreciate the new water conservation facilities under Division 40-F, they would not be eligible for the bonus income tax deduction for new investment.

By allowing the temporary bonus income tax deduction for new investment to apply to water conservation facilities, the government may attract additional expenditure from primary producers into the area of water conservation, which has been a well publicised area of focus for the government over recent years.

This could serve the dual purpose of "stimulating economic growth and employment in Australia in the face of a deteriorating global economic environment", which is stated as the purpose for introducing this legislation, as well as attracting private spending on water conservation.

Should you wish to discuss this matter, please give me a call.

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