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## > INVESTMENT ALLOWANCE DEALS WORTH AN URGENT LOOK

IF YOU'RE self-employed and buy a new laptop, van or ute, the tax office will let you have them at half price.

Yes, there's a 50 per cent deduction for small businesses with sales under \$2 million a year – not a tough call in this climate, is it?

The investment allowance was souped up and extended in the Budget.

If you order \$1000 in new equipment and it's installed by Tuesday, you can claim the tax deduction for this year.

Since it has to be, in taxpeak, a "tangible asset", software doesn't count. But then neither do buildings.

The investment allowance is on top of the normal depreciation that can be claimed. So on a \$1000 laptop, the 50 per cent deduction of \$500 would be on top of the \$150 depreciation in the first year (using the diminishing

value method), said Tony Fittler, tax partner at HLB Mann Judd. Any borrowings are also deductible, except for leasing, in which case you should negotiate a deal with the lessor who will get the allowance.

Note that the deduction doesn't apply to second-hand equipment, with the exception of demonstrators, and is limited to cars with a value of no more than \$57,180.

Other urgent tax tasks for small business owners are writing off bad debts, stock build-ups and adjusting for the impact of the stronger dollar, says Sue Prestney, spokesperson for the Institute of Chartered Accountants and partner of MGI Chartered Accountants.

Bad debts have to be written out of the ledger by June 30 to be claimed.

The same with a build-up in stocks.

These have to be written off as obsolete or slow-moving.

And the stronger dollar may have driven the replacement cost of an asset below what you paid and what appears on the books.

"This requires a policy for the write-down, which is based on what the stock is doing. You'll need to see an accountant before June 30 to get the deduction," Prestney says.

Cash-based businesses can also be hit by tax adjustments carried forward from the previous year from booming profits that had not been booked because the payment hadn't yet been made.

That could produce a cruel twist: a tax bill this year even though the business is running at a loss.

**DAVID POTTS**