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## *Investment Allowance traps*

The Investment Allowance (or tax break) was part of the Government’s stimulus package designed to ensure that business investment remained consistent, despite the dwindling economy.

Unfortunately, a lot of time passed between when the Government first announced the tax break and the rules being enacted by Parliament. As a result, there was little guidance on exactly how the Investment Allowance would apply in real life despite being heavily utilised and promoted. Since the release of the enacting legislation, the ATO have clarified many of the points of concern to business.

### **Where the asset is used for personal as well as business use**

To qualify for the Investment Allowance, an asset needs to be for the “principal purpose of carrying on a business.” There has been a lot of confusion around what “the principal purpose of carrying on a business” really means, particularly for assets like cars where the asset might be used for personal as well as business use.

The Tax Commissioner has since concluded that where a taxpayer is expected to use an asset for more than 50% of the time for the purpose of carrying on a business, this will meet the eligibility criteria for the Investment Allowance.

### **Hire purchase agreements**

To qualify for the Investment Allowance the “investment commitment time” must occur after 12.01am, 13 December 2008 and before 1 January 2010. Also, in order for a non-small business entity to qualify for the 30% Investment Allowance, the investment commitment time must have occurred before 1 July 2009.

When it comes to hire purchase agreements, the Tax Commissioner has stated that the “investment commitment time” is the time at which the hire purchase agreement was entered into. It is not when the deposit was paid or order placed. So, be careful you have the right dates in place if you are claiming the investment Allowance.

### **Demonstrator vehicles**

Generally, the Investment Allowance only applies to new cars. The exception is where the car has been used as a demonstrator vehicle held for “testing and trialling”. But be careful, just because the dealer calls it a demonstrator vehicle doesn’t mean the tax office will accept their definition. To

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qualify you need to prove that the car was only held for a reasonable period of testing and trialling. As a general rule, the ATO have stated that a demonstrator vehicle will be considered 'new' where it has been used for demonstration purposes for a period up to three months.

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## ***Avoid delays - Lodge early – Tax Refunds Sooner***

Most property investors are negatively geared. This means that where they have not requested a variation of their PAYG deduction from their employer, they get refunds on lodging their tax returns at the end of the financial year.

ATO is now processing lodgement of returns very fast, particularly where there is a refund and the refund is being deposited electronically into the taxpayer bank account. Some refund assessments are issuing within 7 working days.

**Tax Tip** - To get refunds before Christmas lodge your tax return soon.

Another reason for lodging early is that ATO is rolling over their old IT to new IT in January?

*Here is what ATO has recently advised all agents:*

“Business and individual taxpayers may be affected by our plans to implement our new income tax system in late January 2010.”

### **What ATO are doing**

The Tax Office's computer systems will be **unavailable from Friday, 22 January until Wednesday, 27 January 2010** while they implement the new system.

In addition, they will need to **suspend** some processing in the weeks leading up to the implementation.

There will also be some **processing delays in the weeks following the implementation** as the new system gradually returns to full processing levels. We expect these **delays may continue during February 2010**.

**Tax Tip** - Visit your accountant sooner rather than later this year.

If you need help call **Property Tax Specialists** Shukri Barbara on 02 9411 8133 or visit our website.

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## ***Help available***

To make the compilation & reporting task for tax returns easier, clients of **Property Tax Specialists** received checklists and templates to facilitate the process ... **saving them time and money** ... the 'write' way is having clear **documentation**. ATO way means time/money wastage with possible audit investigation.

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If you need help contact Shukri Barbara at Property Tax Specialists at  
[Shukri@propertytaxspecialists.com.au](mailto:Shukri@propertytaxspecialists.com.au)

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*We look forward to being of Service – helping you towards  
Prosperity & Peace of Mind*

Please do not hesitate to contact us if you would like to review & discuss your current property & tax situation, your asset protection strategy, structuring your next investment property, planning to legally minimise your tax position or just to prepare your next tax return.

We look forward to being of service. We also look forward to your referrals.

To improve our service we welcome all constructive comments on this newsletter and other materials.

For help contact **Shukri Barbara** at Property Tax Specialists at [Shukri@propertytaxspecialists.com.au](mailto:Shukri@propertytaxspecialists.com.au)

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**Disclaimer**

The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, professional advice should be obtained.

Acknowledgement - parts of this newsletter have been taken from Knowledge Shop Pty Ltd client newsletters. Barbara & co – Property Tax Specialists is a member of the Knowledge Shop and Hayes Knight Network

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Kind Regards  
Shukri Barbara

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