

Swan's car tax break

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THE Federal Government will give small businesses an instant tax write-off for the first \$5000 cost of any motor vehicle purchased from financial year 2012-13, Treasurer Wayne Swan said yesterday in a statement.

Announcing the changes that will be part of the Budget released tomorrow, Mr Swan said the Government "recognised that many small business operators are doing it tough in our patchwork economy."

For tax purposes, small businesses are those with less than \$2 million annual turnover exclusive of the goods and services tax.

The instant write-off for the first \$5000 of any motor vehicle will replace the entrepreneurs tax offset, which will save \$365 million over the forward estimates Mr Swan said. "This measure is estimated to cost \$350 million over the forward estimates" — a net saving of \$15 million to the budget.

Mr Swan said that the ETO was poorly targeted and complex. It also provided a disincentive for businesses to grow, as it reduced when income reached \$50,000 a year and cuts out at \$75,000 a year.

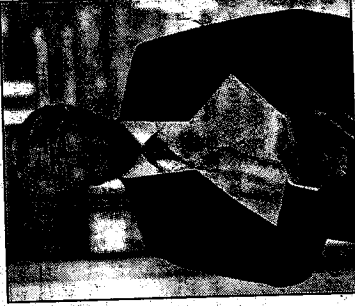
"Motor vehicles are the main capital item for many of Australia's 2.7 million small businesses so this extra tax relief will deliver real benefits by improving cash flows and helping operators to reinvest and grow their businesses," Mr Swan said.

The statement gave the example of a tradesman on a 30 per cent marginal tax rate buying a new \$33,960 ute. The tradie would receive an extra tax benefit of \$1275 in the year they purchased the vehicle, the statement said.

"The remainder of the purchase value can be transferred into the general small business depreciation pool, which is depreciated at 15 per cent in the first year and 30 per cent in later years," the statement said. These tax reforms will be

available to small businesses, including sole traders, businesses operating through trusts, partnerships and companies.

The plans contrast to current measures where small businesses can claim 100 per cent of assets costing less than \$1000 (GST exclusive). For assets that cost more than \$1000 (GST exclusive) a business can claim full depreciation of 15 per cent this year where the asset has an effective life of less than 25 years, according to chartered accountant Joe Kaleb.



Budget: Wayne Swan