

Instant asset write-off for eligible businesses

Eligible businesses can claim an immediate deduction for the business portion of the cost of an asset in the year the asset is first used or installed ready for use.

Instant asset write-off can be used for:

- multiple assets, if the cost of each individual asset is less than the relevant threshold
- new and second-hand assets.

If you are a small business, you will need to apply the simplified depreciation rules in order to claim the instant asset write-off. It cannot be used for [assets that are excluded \(/Business/Depreciation-and-capital-expenses-and-allowances/Simpler-depreciation-for-small-business/Assets-and-exclusions/\)](#), from those rules.

The instant asset write-off eligibility criteria and threshold have changed over time. You need to check your business's eligibility and apply the correct threshold amount depending on when the asset was purchased, first used or installed ready for use.

Recent changes

For assets first used or installed ready for use between 12 March 2020 until 30 June 2021, and purchased by 31 December 2020, the instant asset write-off:

- **threshold** amount for each asset is \$150,000 (up from \$30,000)
- **eligibility** extends to businesses with an aggregated turnover of less than \$500 million (up from \$50 million).

From 7.30pm AEDT on 6 October 2020 until 30 June 2022, temporary full expensing allows a deduction for:

- the business portion of the cost of new eligible depreciating assets for businesses with an aggregated turnover under \$5 billion or for corporate tax entities that satisfy the alternative test
- the business portion of the cost of eligible second-hand assets for businesses with an aggregated turnover under \$50 million
- the balance of a small business pool at the end of each income year in this period for businesses with an aggregated turnover under \$10 million.

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See also:

- [Temporary full expensing \(/Business/Depreciation-and-capital-expenses-and-allowances/General-depreciation-rules---capital-allowances/Temporary-full-expensing/\)](#).
- [COVID-19 \(/General/COVID-19/\)](#).
- [The Australian Government's economic response to coronavirus \(/General/New-legislation/The-Australian-Government-s-Economic-Response-to-Coronavirus/\)](#).

Eligibility

Eligibility to use instant asset write-off on an asset depends on:

- your [aggregated turnover \(/Business/Small-business-entity-concessions/Eligibility/Aggregation/?anchor=Whendotheaggregationrulesapply#Whendotheaggregationrulesapply\)](#). (the total ordinary income of your business and that of any associated businesses)
- the date you purchased the asset
- when it was first used or installed ready for use
- the cost of the asset being less than the [threshold](#).

You are not eligible to use instant asset write-off on an asset if your aggregated turnover is \$500 million or more.

If temporary full expensing applies to the asset, you do not apply instant asset write-off.

Thresholds

The thresholds have changed over recent years.

Instant asset write-off thresholds for small businesses that apply the simplified depreciation rules

Eligible businesses	Date range for when asset first used or installed ready for use	Threshold
Less than \$10 million aggregated turnover	12 March 2020 to 30 June 2021, providing the asset is purchased by 31 December 2020*	\$150,000
Less than \$10 million aggregated turnover	7.30pm (AEDT) on 2 April 2019 to 11 March 2020	\$30,000
Less than \$10 million aggregated turnover	29 January 2019 to prior to 7.30pm (AEDT) on 2 April 2019	\$25,000

Less than \$10 million aggregated turnover	1 July 2016 to 28 January 2019	\$20,000
Less than \$2 million aggregated turnover	7.30pm (AEST) on 12 May 2015 to 30 June 2016	\$20,000
Less than \$2 million aggregated turnover	1 January 2014 to prior to 7.30pm (AEST) 12 May 2015	\$1,000
Less than \$2 million aggregated turnover	1 July 2012 to 31 December 2013	\$6,500
Less than \$2 million aggregated turnover	1 July 2011 to 30 June 2012	\$1,000

* You must have purchased the asset on or after 7.30pm (AEST) on 12 May 2015.

For assets you start to hold, and first use (or have installed ready for use) for a taxable purpose from 7.30pm (AEDT) on 6 October 2020 to 30 June 2022, the instant asset write-off threshold does not apply. You can immediately deduct the business portion of the asset's cost under temporary full expensing.

Instant asset write-off thresholds for businesses with an aggregated turnover of \$10 million or more but less than \$500 million

Eligible businesses	Date range for when asset first used or installed ready for use	Threshold
Less than \$500 million aggregated turnover	12 March 2020 to 30 June 2021 providing the asset is purchased by 31 December 2020	\$150,000
Less than \$50 million aggregated turnover	7.30pm (AEDT) on 2 April 2019 to 11 March 2020*	\$30,000

* You must have purchased the asset on or after 7.30pm (AEST) on 2 April 2019.

Make sure you have checked the [eligibility criteria](#) for your business.

Exclusions and limits

A car limit applies to the cost of passenger vehicles.

There are also a small number of assets that are excluded.

Find out about:

- [Excluded assets \(/Business/Depreciation-and-capital-expenses-and-allowances/Simpler-depreciation-for-small-business/Assets-and-exclusions/\)](#).

Car limit

A car limit applies to the cost of passenger vehicles (except a motorcycle or similar vehicle) designed to carry a load less than one tonne and fewer than 9 passengers.

The car limit is:

- \$57,581 for the 2019–20 income year
- \$59,136 for the 2020–21 income year.

The one tonne capacity is the maximum load your vehicle can carry, also known as the payload capacity.

The payload capacity is the gross vehicle mass (GVM) as specified on the compliance plate by the manufacturer, reduced by the basic kerb weight of the vehicle.

The basic kerb weight is the weight of the vehicle with a full tank of fuel, oil and coolant together with spare wheel, tools (including jack) and factory-installed options. It does not include the weight of passengers, goods or accessories.

$$\text{Payload capacity} = \text{GVM} - \text{basic kerb weight}$$

The car limit does not apply to vehicles modified for use by people with disability.

You cannot claim the excess cost over the car limit under any other depreciation rules.

The instant asset write-off is limited to the business portion of the car limit for the relevant income tax year. For example, the car limit is \$57,581 for the 2019–20 income tax year. If you use your vehicle for 75% business use, the total you can claim under the instant asset write-off is 75% of \$57,581, which equals \$43,186.

Example 1: Purchase of a motor vehicle for business purposes – the effect of the car limit for depreciation

Edward and Edna own and run a small irrigation supplies business. On 27 March 2020 the business purchases a luxury car that is designed to carry passengers, for \$80,000. The instant asset write-off threshold at the time they first use the car in the business is \$150,000.

The cost of the car for depreciation is limited to the car limit at that time (\$57,581 for the 2019–20 income tax year).

As the cost of the car is above the \$57,581 car cost limit for depreciation, the business can only claim an instant asset write-off of \$57,581 for the year ending 30 June 2020. The business can't claim the excess cost of the car under any other depreciation rules.

They also decide to update their work ute so the business purchases a ute for \$65,000 on 27 April 2020. The ute isn't designed to carry passengers (and has been set up with all the trade tools in the tray) so the car cost limit for depreciation doesn't apply. The business can claim a full deduction of \$65,000 as an instant asset write-off.

If your vehicle is not considered a passenger vehicle, the car limit does not apply. You can claim the cost of the vehicle less than the relevant threshold amount.

Example 2: Purchase of a motor vehicle with a capacity of more than one tonne but less than nine passengers – the effect of the car limit for depreciation

Muhammad purchases a new vehicle for \$70,000 to transport goods for his business. The vehicle is used 100% for business purposes. He receives the vehicle ready for use on 3 June 2020.

The payload capacity of the vehicle is 1065 kg. The vehicle carries less than nine passengers. The car limit does not apply as the vehicle has a payload capacity of more than one tonne.

Muhammad can claim the full cost (\$70,000) of the vehicle under the instant asset write-off in the 2019-20 income year because:

- the vehicle is less than the \$150,000 threshold
- he has the vehicle ready for use before 30 June 2020
- the car limit does not apply (as the vehicle has a payload capacity of more than one tonne)
- the vehicle is only used for business purposes.

How GST applies

If you are registered for GST and can claim the full GST credit, you exclude the GST amount you paid on the asset when calculating car depreciation amounts. If you are only able to claim a portion of the GST credit, then the cost is reduced by the portion you can claim.

For example, if a business is registered for GST and the vehicle cost is \$60,000 GST inclusive, the maximum GST credit that can be claimed is 1/11th of the car limit (\$5,234 for 2019–20 income year). The balance (\$60,000 - \$5,234 = \$54,766) is less than the car cost limit of \$57,581 for the 2019-20 income year, so the business can claim a maximum depreciation amount of \$54,766 in that income year.

If you are not registered for GST, you include the GST amount you paid on the asset in car depreciation calculations. For example, if a business is not registered for GST and purchased a vehicle costing \$60,000 GST inclusive, the maximum depreciation deduction that can be claimed is the car cost limit of \$57,581.

See also:

- [Car cost limit \(/Business/Depreciation-and-capital-expenses-and-allowances/Simpler-depreciation-for-small-business/Assets-and-exclusions/?anchor=Carcostlimit#Carcostlimit\)](#) – for yearly car limits

Cost of asset exceeds threshold

If you are a small business, you must use the simplified depreciation rules to claim the instant asset write-off. If you use the simplified depreciation rules and the cost of the asset is the same as or more than the relevant instant asset write-off threshold, the asset must be placed into the small business pool.

- For assets you start to hold, and first use (or have installed ready for use) for a taxable purpose from 7.30pm (AEDT) on 6 October 2020 to 30 June 2022, the instant asset write-off threshold does not apply. You can immediately deduct the business portion of the asset under temporary full expensing.
- For income years ending between 6 October 2020 and 30 June 2022, you deduct the balance of your small business pool under temporary full expensing.

If you are not using the simplified depreciation rules (because you are not a small business or have chosen not to apply the rules), you work out how much you can deduct under the temporary full expensing or the backing business investment – accelerated depreciation rules if you meet the eligibility criteria for those rules. Otherwise, you apply the general depreciation rules.

Example 3: Exceeding the threshold

Daryl owns a small electrical business, Daryl's Electrical, which has an aggregated turnover less than \$10 million. On 28 July 2017, Daryl purchases a ute for \$40,000. He estimates he will use the ute 40% of the time for his business.

Even though the cost of the ute to the business is \$16,000 ($\$40,000 \times 40\%$), Daryl can't use the instant asset write-off as the total cost of the ute of \$40,000 exceeded the relevant threshold of \$20,000.

Instead he adds the \$16,000 business portion of the ute's cost to Daryl's Electrical small business pool.

Example 4: Asset purchased but not ready for use

Leslie is a florist and has an aggregated turnover of less than \$10 million. Her business requires a new van to help expand her deliveries.

Leslie purchases a van for \$22,500, which was paid for on 23 January 2019. Under the terms of the contract, delivery of the van is made on 30 January 2019 which is also when the van is ready for use. At that time, the instant asset write-off threshold was \$25,000 and Leslie claims the entire cost of the van in her 2019 tax return.

If the van had been delivered before 29 January 2019 and Leslie started to use it at the time of delivery, Leslie would not have been able to write-off the entire cost of the van. This is because the cost of the van exceeded the threshold applicable at that time of \$20,000. Leslie would instead add the van's cost of \$22,500 to her florist small business pool.

Example 5: Small business purchase and pool in 2020-21 income year

J Pty Ltd has an aggregated turnover of \$9 million. J Pty Ltd is eligible for and chooses to use the simplified depreciation rules.

J Pty Ltd purchased a depreciating asset for \$200,000 on 1 July 2020. It immediately began using the asset for a taxable purpose.

J Pty Ltd cannot deduct the asset's cost under temporary full expensing because it was incurred before 6 October 2020.

J Pty Ltd also cannot deduct the asset's cost under instant asset write-off as the asset costs more than the relevant threshold of \$150,000.

The opening balance of J Pty Ltd's small business pool is \$151,000 and J Pty Ltd adds \$200,000, the cost of the new asset, to the pool. As temporary full expensing applies to J Pty Ltd's small business pool for the income year that ends on 30 June 2021, J Pty Ltd deducts the entire balance of the pool at the end of that income year (i.e. \$351,000) in its 2021 income tax return.

See also:

- [Assets and exclusions \(/Business/Depreciation-and-capital-expenses-and-allowances/Simpler-depreciation-for-small-business/Assets-and-exclusions/\)](#).
- [Backing business investment – accelerated depreciation \(/Business/Depreciation-and-capital-expenses-and-allowances/Backing-business-investment---accelerated-depreciation/\)](#).
- [Temporary full expensing \(/Business/Depreciation-and-capital-expenses-and-allowances/General-depreciation-rules---capital-allowances/Temporary-full-expensing/\)](#).

Work out your deduction

The entire cost of the asset must be less than the relevant threshold, not including any trade-in amount. Whether the threshold is GST exclusive or inclusive depends on if you're registered for GST.

To work out the amount you can claim, you must subtract any private use portion. The balance (that is the portion you use to earn assessable income) is generally the **taxable purpose portion** (business purpose portion). While you can only claim the taxable purpose portion as a deduction, the **entire cost of the asset must be less than the relevant threshold**.

Example 6: Business and personal use of asset

On 18 May 2018, Fiona buys a new computer for \$6,800 that she uses 80% of the time for her business as a sole trader. She also bought a new printer for \$700 that she uses for 100% of the time for business purposes.

For the computer, Fiona calculates the business use portion that she can claim a deduction for under the instant asset write-off as \$5,440 (80% of \$6,800). For the printer, she can claim the entire cost of \$700.

Fiona includes the combined amount of \$6,140 in her tax return.

Research and development

This also applies to research and development (R&D) use. When you work out the R&D tax offset amount for your R&D use you must subtract any non-R&D use including the taxable purpose portion and private use portion.

If you are a small business and you have used your asset for R&D activities, you may not be able to claim the instant asset write-off for that asset and the normal depreciation rules will apply.

Example 7: Purchasing multiple assets

PlumbCo is a company that operates a plumbing business that has an aggregated turnover less than \$10 million. On 10 April 2019, PlumbCo purchases a new van for \$22,000 and starts to use it for the business. The following month PlumbCo purchases a trailer for \$14,000 and starts to use it to support the business.

PlumbCo has spent a total of \$36,000. As the \$30,000 instant asset write-off threshold applies to each asset, PlumbCo can claim an immediate deduction for both the van and the trailer in its 2019 tax return.

PlumbCo includes the combined amount of \$36,000 at label **6X** of the *Company tax return*. Because PlumbCo is a small business entity, the amount is also included at label **10A**.

Example 8: Second-hand asset

R Pty Ltd has an aggregated turnover of \$60 million.

On 23 December 2020, R Pty Ltd acquired a second-hand depreciating asset from another entity for \$2 million. R Pty Ltd immediately began using it for a taxable purpose.

On 3 February 2021, R Pty Ltd incurred costs of \$1 million to improve the asset (which were included in the asset's second element of cost at that time).

In working out R Pty Ltd's depreciation deduction, R Pty Ltd cannot deduct the first element of cost of the asset (\$2 million) under:

- temporary full expensing, because of the exclusion for second-hand assets for entities with an aggregated turnover of \$5 million or more
- instant asset write-off because the asset's cost exceeds the relevant threshold of \$150,000
- backing business investment – accelerated depreciation because the asset is a second-hand asset.

It follows that R Pty Ltd uses the general depreciation rules to work out the depreciation deduction for the asset's \$2 million cost.

R Pty Ltd can deduct the full amount of the asset's second element of cost (\$1 million improvement) under temporary full expensing.

See also:

- [Assets and exclusions \(/Business/Depreciation-and-capital-expenses-and-allowances/Simpler-depreciation-for-small-business/Assets-and-exclusions/\)](#).
- [Simpler depreciation for small business \(/Business/Depreciation-and-capital-expenses-and-allowances/Simpler-depreciation-for-small-business/\)](#).
- [General depreciation rules – capital allowances \(/Business/Depreciation-and-capital-expenses-and-allowances/General-depreciation-rules---capital-allowances/\)](#).
- [Backing business investment – accelerated depreciation \(/Business/Depreciation-and-capital-expenses-and-allowances/Backing-business-investment---accelerated-depreciation/\)](#).
- [Claiming a tax deduction for depreciating assets and other capital expenses \(/Business/Income-and-deductions-for-business/Deductions/Deductions-for-depreciating-assets-and-other-capital-expenses/\)](#).
- [Damaged or destroyed property – insurance payouts \(/general/dealing-with-disasters/damaged-or-destroyed-property/insurance-payouts/?anchor=Personalproperty#Personalproperty\)](#).

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