What you can expect after the election

Headlines only explain so much. In this special update, we examine where the 2019-20 Federal Budget left us, and the pivotal policies from the ALP on tax, superannuation and business.

There are no guarantees, however, that any policies or announcements not already legislated will come to fruition – that will depend on the Senate composition. At the next election, 40 of the 76 Senate seats will be contested - 6 in each State and 2 in the Territories. The final Senate composition will determine what policies become a reality, the more controversial the policy the less likely it is to pass the Senate. Let's take a look!

Budget 2019-20: The pre-election announcements that are now law

The Federal Budget announced a series of measures, some of which were legislated before the election was called.

Extension and increase to the instant asset write-off

The popular instant asset write-off for small business has been extended and increased. The new laws:

- increase the threshold below which small business entities can access an immediate deduction for depreciating assets and certain related expenditure (instant asset write-off) from $25,000 to $30,000; and
- enables businesses with aggregated turnover of $10 million or more but less than $50 million to access instant asset write-off for depreciating assets and certain related expenditure costing less than $30,000.

Assets will need to be used or installed ready for use from Budget night until by 30 June 2020 to qualify for the higher threshold. Anything previously purchased does not qualify for the higher rate but may qualify for the $20,000 or $25,000 threshold. Similarly, anything purchased but not installed ready for use by 30 June 2020 will not qualify.

The instant asset write-off only applies to certain depreciable assets. There are some assets, like horticultural plants, capital works (building construction costs etc.), assets leased to another party on a depreciating asset lease, etc., that don't qualify.

For assets costing $30,000 or more

For small businesses (aggregated turnover under $10m), assets costing $30,000 or more can be allocated to a pool and depreciated at a rate of 15% in the first year and 30% for each year thereafter. If the closing balance of the pool, adjusted for current year depreciation deductions (i.e., these are added back), is less than $30,000 at the end of the income year, then the remaining pool balance can be written off as well.

The 'lock out' laws for the simplified depreciation rules (these prevent small businesses from re-entering the simplified depreciation regime for five years if they opt-out) will continue to be suspended until 30 June 2020

Pooling is not available for medium sized businesses which means that the normal depreciation rules based on the effective life of the asset will apply to assets that don't qualify for an immediate deduction.

The amendments apply from 7.30 pm legal time in the Australian Capital Territory on 2 April 2019 until 30 June 2020.

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