



Backing business investment (BBI) – accelerated depreciation

How it applies to vehicles

To help you get your claim right this tax time, we have answered some common questions on claiming accelerated depreciation for new vehicles. We have also provided some examples.

For more information about backing business investment (accelerated depreciation), visit ato.gov.au/backingbusinessinvestment or speak with your registered tax agent.

Does the BBI accelerated depreciation deduction apply equally to all vehicles?

No. A *car limit* applies to passenger vehicles designed to carry a load less than one tonne and fewer than nine passengers. The *car limit* is \$57,581 for the 2019–20 income tax year and \$59,136 for the 2020–21 income tax year. This caps the cost on which depreciation deductions can be calculated. You cannot claim the excess cost over the *car limit* under any other depreciation rules.

If your new vehicle carries a load of one tonne or more, or carries nine passengers or more, the *car limit* does not apply and you can use the actual cost of the vehicle for your calculations. The *car limit* also does not apply to vehicles either:

- fitted out for transporting disabled people in wheelchairs for profit
- whose first element of cost exceeds the limit only because of modifications made to enable an individual with a disability to use it for a taxable purpose.

Does the *car limit* cap the amount of depreciation that can be claimed under the BBI?

If the asset is a new vehicle to which the *car limit* applies, BBI is limited to the *car limit* at that time for the 2019–20 and 2020–21 financial years.

An example of how to apply the *car limit* is available at ato.gov.au/backingbusinessinvestment

Can I claim both instant asset write-off and accelerated depreciation for the same vehicle?

No. You can only use one to work out your decline in value.

Can I claim the accelerated depreciation deduction for a second-hand car?

No. To be eligible to apply the accelerated rate of deduction, the car must be new and not previously held by another entity. However, you may be able to claim an immediate deduction in your tax return using the instant asset write-off.

For more information about instant asset write-off, including eligibility criteria and thresholds, visit ato.gov.au/instantassetwriteoff

I am a small business using simplified depreciation rules, how does accelerated depreciation apply to a new vehicle?

If you are a small business (aggregated turnover of less than \$10 million) and use the simplified depreciation rules, eligible assets that cost more than the instant asset write-off threshold are added to the small business pool.

If you have added an eligible new vehicle to the pool, you can deduct an amount equal to 57.5% (rather than 15%) of the business portion of the vehicle in the year you add it to the pool. In later years the asset will be depreciated under the small business pool rules.

An example of how to use the small business pool is available at ato.gov.au/backingbusinessinvestment

My business doesn't use the simplified depreciation rules, how does the *car limit* apply to claiming a BBI for a new vehicle?

If you do not use the simplified depreciation rules and have an aggregated turnover of less than \$500 million in the income year, the amount you can deduct in the income year the car is purchased and used 100% for a business use, is:

- immediately deduct 50% of the cost (limited to the *car limit*) of the car. For example, if in the 2020–21 income year you purchase a car for \$80,000 and the *car limit* applies you will need to first reduce the cost to the *car limit* of \$59,136 and then calculate 50% of that amount (ie \$29,568)
- plus, the amount of the usual depreciation deduction that would otherwise apply but calculated as if the cost or adjustable value of the car were reduced by 50%. Following the example above your cost for this depreciation deduction will be \$29,568 (ie \$59,136 minus \$29,568). You cannot claim the excess cost over the *car limit* under any other depreciation rules.

When working out the carrying capacity of my vehicle, does it include passengers and fuel weight?

The one tonne limit relates to 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.

Payload capacity = GVM – basic kerb weight

When working out the cost of my vehicle, does it include the value of my trade-in vehicle?

No. If you trade in a vehicle, this is counted as a second transaction and it is not included in the calculation when working out your vehicle cost.

Can I claim the accelerated depreciation in my 2020 income tax return if I ordered and paid for my vehicle by 30 June 2020, but received it after 1 July 2020?

No. The asset must be first bought and used, or delivered ready-for-use, in the year you claim the deduction. Therefore, if you receive your vehicle in the 2021 income year you may be able to claim its accelerated depreciation deduction (subject to meeting the eligibility criteria) in your tax return for the 2021 income year.

Can I claim the accelerated depreciation in my 2020 income tax return if I received my vehicle from 12 March 2020 to 30 June 2020?

Yes. However, as your vehicle was received by 30 June 2020 you may be able to claim an immediate deduction in your tax return for the 2020 income year even if it is a second-hand vehicle, by using the instant asset write-off.

For more information about instant asset write-off, including eligibility criteria and thresholds, visit ato.gov.au/instantassetwriteoff

Is GST included in the cost of the vehicle?

When determining the cost of the vehicle (including before applying the *car limit* if applicable), the cost:

- excludes the GST amount if you are registered for GST
- includes the GST amount if you are not registered for GST.

For more information about backing business investment, including eligibility criteria from 12 March 2020, visit ato.gov.au/backingbusinessinvestment