



How to claim plant costing \$300 or less

Updates information provided in Guide to depreciation and Rental properties, due to legislation passed on 30 June 2001.

27 February 2024

This brochure updates information provided in the publications **Guide to depreciation** and **Rental properties**, as a result of legislation passed on 30 June 2001.

Do you earn non-business income

- From rental properties
- Using tools of trade
- Using other items of plant to earn your income?

Are you a small business taxpayer?

Then you **may** be able to take advantage of an immediate deduction for plant costing \$300 or less.

You may be able to claim an **immediate deduction** in your 2001 income tax return for certain items of plant you purchased during 2000 to 2001 costing \$300 or less, if you earn non-business income or if you are a small business. The rules apply differently in each case, as described below.

Non-business income

If you earn non-business income, including salary and wage income, you may be able to take advantage of the deduction. Examples include:

- apprentices who supply their own trade tools such as hand tools
- hairdressers who buy and use their own scissors
- professionals who buy briefcases, electronic diaries and similar equipment
- landlords who buy furniture and fittings for their rental properties.

From 1 July 2001, you are entitled to an immediate deduction for such items of plant purchased since 1 July 2000 if:

- they cost \$300 or less
- you use them mainly to derive assessable income that is **not** income from carrying on a business.

However, you **cannot** claim an immediate deduction if:

- the item is part of a set that you buy in the same income year, where the total cost of the set is more than \$300 (**the 'set rule'**), or
- the item is one of a number of identical or substantially identical items you buy in an income year and the total cost of the items is more than \$300 (**the 'multiples rule'**).

Examples of when you can claim an immediate deduction

In November 2000 Terry, an employee accountant, purchased a new briefcase at the cost of \$250, for professional purposes. He can claim an immediate deduction as he uses the briefcase to derive assessable income, but not from carrying on a business.

Sarah purchased two fire extinguishers in January 2001 at the total cost of \$160 for use in her rental properties. Although the fire extinguishers are substantially the same, she can claim an immediate deduction because the total cost of these items was not more than \$300 and they are used to derive assessable income, but not from carrying on a business.

Example of when you cannot claim an immediate deduction

Paula, a primary school teacher, is buying a series of story books costing \$65 each. The books are labelled 1 to 10 but she buys

one volume every month during the school year. Although Paula only received 5 volumes before 30 June 2001, she cannot claim an immediate deduction for any of these books because they form part of a set and the total cost is more than \$300.

Business income

In their 2001 income tax return small businesses with an average annual turnover of less than \$1 million can continue to access an immediate deduction for plant costing \$300 or less, provided the plant is used to produce assessable income, whether from small business or not.

Note that this position will change for the 2002 income tax return.

Examples of when you can claim an immediate deduction

Malcolm qualifies as a small business taxpayer. He bought a printer on 30 June 2001 for \$300 to use in his business. Malcolm can claim an immediate deduction.

Eleni, who qualifies as a small business taxpayer, also owns a rental property. In March 2001, she purchased new curtains for two bedrooms, each curtain costing \$275. Because she is a small business taxpayer and is excluded from both **the set rule** and **the multiples rule**, Eleni can claim an immediate deduction for each curtain in her 2001 income tax return.

Cost and the goods and services tax (GST)

If you are entitled to claim an input tax credit on a purchase, then the cost of an item for depreciation purposes excludes the amount of input tax credit you are entitled to claim.

If you are not entitled to claim an input tax credit, the cost of the item for depreciation purposes includes the GST.

Example

Tom, a contract carpenter, bought a drill costing \$330 during 2000 to 2001. Tom can claim an input tax credit of \$30, so the

cost of the drill for depreciation purposes was \$300. Tom can claim an immediate deduction, as the cost was not more than \$300.

From 1 July 2001

With the introduction of the simplified tax system for small business from 1 July 2001, the immediate deduction for items costing \$300 or less will change for **all** small business taxpayers. The changes will be reflected in the 2002 income tax return guides.

Need more information?

If you need more information on plant costing \$300 or less, you can:

- visit our internet site at **ato.gov.au** or email us at **BTRadvice@ato.gov.au**
- ring the Personal Tax Infoline on **13 28 61** if you are a non-business taxpayer
- ring the Business Tax Reform Infoline on **1300 137 619** if you are a business taxpayer
- talk to your tax adviser.

People with a hearing or speech impairment can ring the TTY service on **1300 130 478**.

Taxpayers who do not speak English can ring the Translating and Interpreting Service on **13 14 50**.

Note:

The information in this pamphlet is for general guidance only. We recommend that you contact the Australian Taxation Office or speak to your tax adviser if you need more help.

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