



## The small business energy incentive is now law

The small business energy incentive supports your clients' energy needs while giving them a bonus tax deduction.

**Published** 5 July 2024

If your business clients (with an aggregated turnover of less than \$50 million) are thinking of upgrading or purchasing a new asset that helps improve energy efficiency, talk to them about the small business energy incentive.

This new measure gives them the opportunity to claim a bonus deduction equal to 20% of the cost of eligible assets or improvements to existing assets that support more efficient use of energy.

This incentive applies to eligible assets that are both first used or installed ready for use for any purpose, and used or installed ready for use for a taxable purpose, between 1 July 2023 and 30 June 2024. Eligible improvement costs must be incurred during this period to be eligible for the bonus deduction.

Up to \$100,000 of total expenditure is eligible under this incentive, with the maximum bonus deduction being \$20,000 per business. While we can't provide an exhaustive list of eligible expenditure, this measure intends to capture a **broad range of expenditure**.

This 20% bonus deduction is on top of **other existing ones**. Your client's can claim both the ordinary deduction for the expense as well as the bonus deduction. Like with other deductions, it's important to keep **accurate records** that provide evidence of the expenditure claimed, and can show and explain how different assets were compared when upgrading or making improvements.

However, your business clients can't claim for:

- assets and expenditure on assets that can use a fossil fuel
- assets and expenditure on assets that have the sole or predominant purpose of generating electricity (such as solar panels)
- capital works
- motor vehicles and expenditure on motor vehicles
- expenditure allocated to software development pools
- financing costs.

While you're checking your client's eligibility for the energy incentive, also check if they're eligible for the **instant asset write-off**. Some businesses will be able to claim both.

QC 102682

## **Our commitment to you**

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

## **Copyright notice**

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).

