

2008-09 Budgets – Business taxation

Depreciation of computer software

The depreciation period for expenditure on "in-house computer software" which is capital in nature will be increased from 2.5 years to 4 years. A 4-year depreciation period for expenditure on in-house computer software is the same period as the Commissioner's effective life determination for computer hardware.

Expenditure on in-house computer software is expenditure by a taxpayer on acquiring, developing or having someone else develop computer software that is mainly used by the taxpayer in performing functions for which the software was developed (ie not for resale). This includes off-the-shelf software acquired for use by a taxpayer.

Expenditure on in-house computer software will continue to be depreciated on a straight line basis.

This measure will apply to expenditure on in-house computer software incurred on or after 7.30 pm (AEST) on 13 May 2008.

Family income test for entrepreneurs' offset

The Government will introduce a family income test for the entrepreneurs' tax offset. The family income test will limit access to the offset by restricting eligibility for singles from \$70,000 and families from \$120,000 adjusted taxable income per year.

The entrepreneurs' tax offset presently provides a 25% tax offset on the income tax liability of small

businesses that have an annual turnover of \$75,000 or less, phasing out from a turnover of \$50,000. The government said that the entrepreneurs' tax offset is claimed by many taxpayers for whom business is not a primary source of income and who have other, more significant, forms of income. The family income test will restrict access to the offset for businesses with high alternative sources of household income.

This measure will apply from 1 July 2008

Luxury car tax rate increased to 33%

In the Budget, the Government announced that the rate of the Luxury Car Tax (LCT) would increase from 25% to 33% with effect from 1 July 2008. The Government said there would be no changes to the luxury car tax threshold, currently \$57,123.

The Government said the rate change will result in a car with a current price of \$100,000 (inclusive of GST and luxury car tax) being subject to an additional \$2,541 in luxury car tax.

Election requirements for employee share schemes

In the 2008-09 Federal Budget, the Government announced that a taxpayer will be required to make an election to access the tax concessions available when receiving qualifying shares or rights under an employee share scheme: see 2008 WTB 18 [639].

Currently, a taxpayer can elect to be taxed upfront or defer the tax payable until a later time, such as when restrictions on the shares or rights are lifted.