



## **NEVER TRUST A CAR SALESMAN!**

**I was shopping for a new car over the weekend & was told by the car salesman that I should apply for an ABN to get the 30% investment allowance. Is this correct?**

**Gwenda, Lidcombe**

Looks like the good old car salesmen are up to their old tricks again. I am convinced that they would do almost anything for a sale!

Unfortunately Gwenda what they have told you is not quite true. Just as I am not a car expert, don't expect car salesmen to be tax experts either!

The 30% investment allowance, which was part of the recent Government stimulus package, is an additional tax deduction only available for businesses on new eligible depreciating assets acquired between 13 December last year and 30 June this year. Small businesses, with turnover under \$2 million, have a minimum expenditure threshold of \$1,000 whilst for other businesses a \$10,000 threshold applies.

However, employed individuals, such as yourself, who don't operate a business, are not eligible for this allowance. Not even if you have (or apply for) an ABN.

Only profitable businesses will benefit from the tax incentive in their 2008/09 income tax returns. Businesses that are losing money will only generate a greater tax loss which may never be recovered.

In addition, the investment allowance for new car purchases is only available for those businesses which claim car expenses under either the "log book" or "one third of actual expenses" methods.

So if you had a business which uses the "12% of original value" or "cents per kilometre" method to determine your car deductions then you are unfortunately not eligible for the allowance either. The car must be principally used for business purposes. Investment allowances on new car purchases are also restricted to luxury car limit of \$57,180.

For those businesses thinking about buying a new car within a company or trust structure, I also recommend that you consider the potential Fringe Benefits Tax implications before any purchase.

