



# 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, visit [ato.gov.au/backingbusinessinvestment](https://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 or 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.

### 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 business portion of 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](https://ato.gov.au/backingbusinessinvestment)

### 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](https://ato.gov.au/instantassetwriteoff)

## 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.

## 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 threshold are added to the general 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 vehicle in the year you add it to the pool. In later years the asset will be depreciated under the general small business pool rules.

An example of how to use the general small business pool is available at [ato.gov.au/backingbusinessinvestment](http://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 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 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 adjustable value 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.

## Can I claim the full cost as a BBI deduction if I use my vehicle for business and private use?

No. If you use your vehicle for both business and private use, you can only claim the business portion. This applies to all eligible assets.

If the *car limit* applies to your vehicle, BBI is limited to the business portion of the *car limit* at that time for the 2019–20 and 2020–21 financial years. For example, if you use your vehicle for 75% business use, the total you can claim is 75% of \$57,581 in 2019-20 income year, which equals \$43,186.

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. It is usually specified by the manufacturer of your vehicle. It does not include the weight of fuel, goods or occupants.

### 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](https://ato.gov.au/instantassetwriteoff)

### Is GST included in the cost of the vehicle?

When determining whether the vehicle costs less than the threshold amount, 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](https://ato.gov.au/backingbusinessinvestment)