



SMALL BUSINESS SUPPORT INSTANT ASSET WRITE-OFF

BEFORE YOU SPEND BIG ON YOUR SMALL BUSINESS IN 2025-2026

The **\$20,000 Instant Asset Write-Off extension for small business** is designed to encourage business to business transacting, leading to continued employment and productivity momentum in the vital SME economy and related industries.

While that's a positive, small business owners still need to be cautious not to extend themselves beyond their financial capacity simply because there is a \$20,000 carrot in front of them.

THE \$20,000 INSTANT ASSET WRITE-OFF IN DETAIL

- The instant asset write-off is available to any small business, regardless of structure, with an aggregate annual turnover of less than \$10 million.
- An eligible small business can purchase depreciating business assets up to \$20,000 and claim a full tax deduction in the financial year in which the asset is acquired or installed ready for use – in this case, the 2025-2026 financial year.
- The number of assets a small business can claim an immediate tax deduction for is unlimited.
- New and old/second-hand assets purchased are eligible for the immediate tax deduction.
- In the case of a small business that is registered for GST, the GST-exclusive amount is considered to be the cost of the asset. A small business that is not registered for GST will apply the GST-inclusive amount as the cost of the asset.
- A depreciating asset is one that is used for business purposes, has a limited effective life and is expected to decline in value over the term of use. Land, premises, trading stock and certain intangible assets (eg. goodwill) are not depreciating assets.
- Computer software less than \$20,000 is an eligible asset in some cases – software purchased off-the-shelf and used exclusively in the business, as well as software developed exclusively for the business.

AVAILABLE TO 30 JUNE 2026

The \$20,000 instant asset write-off is currently effective until 30 June 2026. Here are some tips to give you and your small business clarity around the scheme:

- It is ideally suited to small businesses that are planning to purchase business assets or update equipment or fixtures and fittings, irrespective of any incentive. If you have a real need to buy business assets or doing so can improve your bottom line, then the instant write-off is a worthwhile bonus.
- For assets purchased from 01 July 2025, the immediate deduction is 25% (the current small business tax rate for companies). The deduction for sole traders, partnerships and trusts is the applicable marginal tax rate.
- If your business is not making a profit, an immediate tax deduction is of no benefit. If your business is not profitable prior to 2025-2026 but you expect it to be in the 2025-2026 financial year, consider postponing any asset purchases until then to get the full value benefit of the scheme.
- Don't take on unnecessary or unmanageable debt just to reward yourself with a tax deduction. Lending interest rates are increasing, and your loan repayments will still be with you long after your business's next tax return.

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2025/07

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Learn more at www.peakpartnership.com.au



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CHARTERED ACCOUNTANTS

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MORE TIPS TO HELP YOUR BUSINESS

- Be clear on the definitions of small business under the incentive. Under current eligibility criteria, trading companies, trading trusts, partnerships and sole traders with turnover of less than \$10 million qualify, but if your small business is part of a group of entities the aggregate turnover may exclude your business.
- Always check with your Peak Adviser before committing to a significant business purchase.
- In addition to the instant asset write-off, individuals receiving income from an unincorporated small business such as a sole trader, partnership or trust may be eligible for the **small business income tax offset**. This allows a 16% discount of the income tax payable on the business income received by an unincorporated small business entity, up to an annual turnover of less than \$5 million. This discount is capped at \$1,000 per individual for each income year and delivered as a tax offset.



CASH FLOW MUST BE PRIORITY #1

Anyone running a small business knows that maintaining cash flow is critical for growth and profitability, not to mention keeping stress levels in check.

The instant asset write-off measures essentially mean that a small business can bring forward tax deductions in full for certain assets in the financial year in which the asset is acquired.

A key point is that a business needs to have the financial resources available to acquire a business asset – either cash in the bank or loan funding that can be repaid – without putting undue pressure on cash flow. You need to have the money available to buy the asset, irrespective of any tax incentive – and still have enough cash flow to operate the business as normal.

IN SUMMARY

The \$20,000 small business instant asset write-off for businesses (with an aggregated annual turnover of less than \$10 million) is a worthwhile business improvement opportunity for eligible SME.

In addition, taxation laws are complex and there can be many variations in the way the rules are applied. For instance, there may be different interpretations and application of the tax law where business vehicles are traded in, or where an asset is used for business and private use. As always, it's best to consult with your Peak Business Adviser before making larger business purchases.

Lastly, some SME owners have in the past mistakenly seen the small business instant asset write-off as a green light to spend up big for free, thinking the tax deduction is some form of investment allowance or grant.

Remember, it's not free money!

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