

## Media Release – Federal Budget 09-10

### FOR IMMEDIATE RELEASE

## Software is an odd exclusion from investment allowance SME tax break

**20 May 2009:** The Government's highly advertised investment allowance does not apply to software and other intangible assets notes professional services firm Deloitte, who have warned that it will cause confusion particularly with the acquisition of combined assets.

"Investments in intangible assets are almost as common as tangibles in the 21<sup>st</sup> Century," said Deloitte Tax Partner David Pring.

"Taxpayers buy assets such as cars with in-built navigation systems and medical equipments with customised software. More clarification is required if they will be subjected to separate out intangible components from the tangible parts. This is particularly important where the main asset is not capable of being used in isolation to its intangible elements.

While the rules exclude investment allowance for intangible assets, they are not clear on "combined assets." For example, Mark owns a small business entity and buys a Computer with in-built software for \$1,200 on 31 May 2009, for business use. It would appear that he qualifies for the investment allowance as his investment exceeds \$1,000. It is unclear however, if Mark should exclude a notional cost of software for calculating the \$1,000 threshold."

"There is no reason why the allowance should not be expanded to intangible assets, a 21<sup>st</sup> Century flavour is required for the investment allowance rules to avoid a bitter after-taste," Mr Pring concluded.

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