

AUSTRALIA STIMULUS PACKAGE

Australia's government has introduced key financial stimulus measures with the potential to provide significant depreciation benefits to the commercial property sector.



WHAT CHANGE

HAS OCCURRED?

The Australian Government has announced two short term incentives for the depreciation of Division 40 depreciating assets, used or ready for use, for a taxable purpose after 12 March 2020.

INSTANT ASSET WRITE OFF

The Instant Asset Write off provisions have increased the threshold from \$30,000 to \$150,000 for each individual asset, used or ready for use, for a taxable purpose between 12 March 2020 and 31 December 2020. The businesses that can benefit has also been expanded from an aggregated turnover of \$50 million to \$500m. This measure applies to new & second hand depreciating assets.

BACKING BUSINESS INCENTIVE (ACCELERATED DEPRECIATION)

For all new Division 40 depreciating assets accelerated depreciation measures have been put in place providing a year 1 deduction of 50% of the assets value, in subsequent years your depreciation returns to normal rates. Again this measure is applicable for all businesses with an aggregated turnover of less than \$500m, for expenditure incurred on brand new assets after 12 March 2020 to 30 June 2021. Standard depreciation rules apply to the balance of the asset after 30 June 2021.

WHAT DOES IT MEAN FOR COMMERCIAL PROPERTY?

Both of these measures will have potentially significant upside for depreciation on commercial property for assets for qualifying entities.

The **Instant asset write-off measures** apply equally to new and second hand Division 40 depreciating assets. The benefits may be available on commercial property acquisitions with settlement between 12 March and 31 December 2020.

Depending on the size and type of property this could represent between 60 – 100% of the Division 40 depreciating assets qualifying for 100% write off.

The **accelerated depreciation measures (50% deduction)** are only available on new assets. This is available on the acquisition / development of commercial properties but with the restriction that the assets need to be new.

Between 12 March and 30 June 2020 the Instant Asset Write Off measures are potentially in place with the acceleration measures applied to assets not covered by these or other measures.

Accelerated depreciation can then be applied to all Division 40 depreciating assets, committed to after 12 March 2020, and in / ready use after 30 June 2020 to 30 June 2021.

HOW CAN CBRE HELP ME?

As part of our analysis for depreciation on commercial property investments CBRE will ensure the identification and correct allocation and depreciation recovery rates are applied based on your eligibility criteria and transaction timing.

For more information, or to discuss any of these measures and how they impact your property investments, please contact:

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