



May 13, 2009 05:47pm AEST

## **Budget 09: Tax breaks for IT equipment**

Andrew Colley | May 13, 2009

**A NEW tax break being offered to small businesses could help offset any softening of the IT equipment market due to the global financial crisis.**

The incentive, announced by Treasurer Wayne Swan and Small Business Minister Craig Emerson as part of the **federal budget**, boosts the amount that businesses with incomes under \$2 million can deduct on equipment purchases, valued at over \$1000 from 30 per cent to 50 per cent.

IT industry analysts are cautiously optimistic that the tax measure will have an overall positive effect on IT spending but warned that credit markets remained tight for small businesses.

The break will apply to any eligible assets purchased from 13 December 2008 up to the end of the calendar year and installed before 31 December 2010.

IT spending program manager for technology analyst firm IDC Jean-Marc Annonier said that the measure would lift IT equipment spending moderately. He said, however, that the reality of the GFC was that small businesses remained cash strapped and may not direct spending at IT sales at this time.

"Cash is very hard to come by today so if they can get credit they will probably use it to buy machines or cars or things that are really going to help them with their day-to-day business," Mr Annonier said.

Geoff Johnson, research vice president with analyst group Gartner, said that government was offering an "abnormally large" incentive to small business to invest in new capital.

The Rudd government has also chosen to extend a 30 per cent tax break for all businesses announced late last year which was scheduled to expire at the end of the 2009 financial year, but at a reduced rate.

All businesses with a turnover in excess of \$2 million were to be eligible for 30 per cent tax break on equipment worth over \$10,000 purchased between 13 December 2008 and 30 June 2009.

The tax break will continue to be offered at a reduced rate of 10 per cent for equipment purchased between 30 June 2009 and 31 December 2009 as long as it is installed before the end of the 2010 financial year.

Overall the government expects the two tax breaks to deplete its business revenue stream by \$3.7 billion over four years.

---

*Copyright 2009 News Limited. All times AEST (GMT +10).*