

## Federal Labor commits to an Australian Investment Guarantee

March 2018

On Tuesday 13 March 2018 Federal Labor Leader Bill Shorten and Shadow Treasurer Chris Bowen announced that a future Shorten Labor Government will introduce a tax relief scheme, the Australian Investment Guarantee, aimed at boosting business investment and creating jobs.

From 1 July 2020 the Guarantee will allow all companies investing in Australia to “immediately expense” 20 per cent of the value of eligible depreciable assets in the first year of all new investments, with regular depreciation schedules to apply from the first year onwards.

“Immediate expensing”, or accelerated depreciation, occurs when the value of an asset is written down at a faster rate in its initial years, lowering the taxable income of the asset owner in those years and improving the rate of return of the asset. This form of depreciation provides an immediate incentive for Australian businesses to continue expanding after purchasing capital goods to facilitate growth in their business.

The Guarantee will exist on a permanent basis and operate indefinitely, unlike past instant asset write-off schemes.

The Guarantee has a budgetary impact of \$3.4b over the forward estimates from 2018-19 and \$10.3b over the medium-term. The cost is fully offset by savings from Labor’s plan to reform dividend imputation, which will raise \$59b over the medium term. The policy has been costed by the independent Parliamentary Budget Office.

### Features of the Guarantee:

- Eligible assets include tangible machinery and equipment for upgrades and new purchases (e.g. farm tractors and food processing machinery).
- Depreciable intangible assets, or ‘knowledge assets’, which make up an increasingly large component of non-mining investment, will also be eligible (e.g. patents and copyrights).
- Only applicable to eligible investments valued at over \$20,000 (with no pooling of assets allowed) to ensure it targets productivity-enhancing investments.
- Not applicable to investments in structures and buildings, consistent with previous accelerated depreciation policies used in Australia.
- Not applicable to otherwise eligible expenditure currently claimed under the existing research and development tax concession.
- Not applicable to passenger motor vehicles, but applicable to non-passenger motor vehicles such as vans, utes and trucks that are used to support trade businesses.

### Further information

For more information, please contact your Hawker Britton consultant [Simon Banks](#) on +61 419 638 587.