|  |
| --- |
| **EXPOSURE DRAFT** |

Inserts for

Treasury Laws Amendment (Measures for consultation) Bill 2022: Technology investment boost

| Commencement information | | |
| --- | --- | --- |
| Column 1 | Column 2 | Column 3 |
| Provisions | Commencement | Date/Details |
| 1. Schedule 1 | The first 1 January, 1 April, 1 July or 1 October to occur after the day this Act receives the Royal Assent. |  |

Schedule 1—Technology investment boost

Income Tax (Transitional Provisions) Act 1997

1 At the end of Division 328

Add:

328‑455 Technology investment boost deduction

Normal or late balancers—deduction for 2022‑23 income year

(1) You can deduct for the 2022‑23 income year an amount that is equal to the sum of:

(a) the lower of $20,000 and 20% of the total amount (which may be nil) of your expenditure to which subsection 328‑460(1) applies; and

(b) the lower of $20,000 and 20% of the total amount (which may be nil) of your expenditure to which subsection 328‑460(2) applies.

Early balancers—deduction for 2023‑24 income year

(2) Subsection (1) does not apply if your 2022‑23 income year starts before 1 July 2022. Instead, you can deduct for your 2023‑24 income year an amount that is equal to the sum of:

(a) the lower of $20,000 and 20% of the total amount (which may be nil) of your expenditure to which subsection 328‑460(1) applies; and

(b) the lower of $20,000 and 20% of the total amount (which may be nil) of your expenditure to which subsection 328‑460(2) applies.

328‑460 What expenditure qualifies for the technology investment boost

(1) This subsection applies to an amount of expenditure if:

(a) you are a small business entity, or an entity covered by subsection (3), for the income year in which you incur the expenditure; and

(b) you incur the expenditure in the period starting at 7.30 pm, by legal time in the Australian Capital Territory, on 29 March 2022 and ending at the end of:

(i) if your 2022‑23 income year starts on or after 1 July 2022—your 2021‑22 income year; or

(ii) if your 2022‑23 income year starts before 1 July 2022—your 2022‑23 income year; and

(c) you can deduct the amount of the expenditure under a provision of a taxation law (other than section 328‑455 of this Act) whether or not in, or wholly in, the income year in which the expenditure was incurred; and

(d) you incur the expenditure wholly or substantiallyfor the purposes of your digital operations or digitising your operations; and

(e) the expenditure is not of a kind excluded by subsection (5); and

(f) if the expenditure is on a depreciating asset—the only balancing adjustment events that occur for the asset at a time during the period referred to in paragraph (b) when you hold the asset occur because you stop holding the asset because of an event or circumstance referred to in subsection 40‑365(2) (about involuntary disposals) of the *Income Tax Assessment Act 1997*; and

(g) if:

(i) the expenditure is on a depreciating asset; and

(ii) the asset is not in‑house software allocated to a software development pool for the income year in which you incur the expenditure;

you start to use the asset, or have it installed ready for use for a taxable purpose, before 1 July 2023.

(2) This subsection applies to an amount of expenditure if:

(a) you are a small business entity, or an entity covered by subsection (3), for the income year in which you incur the expenditure; and

(b) you incur the expenditure in the period starting at the start of:

(i) if your 2022‑23 income year starts on or after 1 July 2022—your 2022‑23 income year; or

(ii) if your 2022‑23 income year starts before 1 July 2022—your 2023‑24 income year; and

ending at the end of 30 June 2023; and

(c) you can deduct the amount of the expenditure under a provision of a taxation law (other than section 328‑455 of this Act) whether or not in, or wholly in, the income year in which the expenditure was incurred; and

(d) you incur the expenditure wholly or substantially for the purposes of your digital operations or digitising your operations; and

(e) the expenditure is not of a kind excluded by subsection (5); and

(f) if the expenditure is on a depreciating asset—the only balancing adjustment events that occur for the asset at a time during the period referred to in paragraph (b) when you hold the asset occur because you stop holding the asset because of an event or circumstance referred to in subsection 40‑365(2) (about involuntary disposals) of the *Income Tax Assessment Act 1997*; and

(g) if:

(i) the expenditure is on a depreciating asset; and

(ii) the asset is not in‑house software allocated to a software development pool for the income year in which you incur the expenditure;

you start to use the asset, or have it installed ready for use for a taxable purpose, before 1 July 2023.

Businesses with turnover under $50 million

(3) An entity is covered by this subsection for an income year if:

(a) the entity is not a small business entity for the income year; and

(b) the entity would be a small business entity for the income year if:

(i) each reference in Subdivision 328‑C of the *Income Tax Assessment Act 1997* (about what is a small business entity) to $10 million were instead a reference to $50 million; and

(ii) the reference in paragraph 328‑110(5)(b) of that Act to a small business entity were instead a reference to an entity covered by this subsection.

Working out when you can deduct an amount of expenditure on a depreciating asset

(4) For the purposes of paragraphs (1)(c) and (2)(c), in working out whether you can deduct an amount of expenditure on a depreciating asset, assume that:

(a) you will continue to hold the asset throughout its effective life; and

(b) throughout that effective life, you will use the asset for a taxable purpose to the same extent as you use it, or have it installed ready for use, for a taxable purpose in the income year in which you start to use it, or have it installed ready for use, for a taxable purpose.

Excluded expenditure

(5) The following kinds of expenditure are excluded by this subsection:

(a) salary or wage costs;

(b) capital works costs for which you can deduct an amount under Division 43 of the *Income Tax Assessment Act 1997*;

(c) financing costs, including interest, payments in the nature of interest and expenses of borrowing;

(d) training or education costs;

(e) expenditure that you incur that forms part of, or is included in, the cost of your trading stock.

Note: For deductions relating to training or education costs, see section 328‑445.