



Instant asset write-off – increase cap to \$30,000 and make permanent	
Party:	The Coalition
Summary of proposal:  The proposal would expand the small business instant asset write off (IAWO) to increase the asset threshold to \$30,000 and make it permanent for businesses with an annual turnover up to \$10 million.  The proposal would start on 1 July 2025.	

### Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around \$1.9 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects a decrease in tax revenue due to eligible assets being immediately depreciated up to \$30,000 and the eligibility period being extended permanently.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

**Table 1: Instant asset write-off – increase cap to \$30,000 and make permanent – Financial implications (\$m)<sup>(a)(b)</sup>**

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	-	-100.0	-879.0	-927.0	-1,906.0
Underlying cash balance	-	-100.0	-879.0	-927.0	-1,906.0

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

- Indicates nil.

### Uncertainties

The financial implications of the extension are highly sensitive to several factors, including but not limited to the following:

- The percentage of assets in the asset base valued above the relevant asset threshold.
- The extent to which businesses may elect to bring forward asset investments.
- Future economic growth and the extent to which this incentivises asset investment.
- Whether businesses that take advantage of these concessions will stay in business in the future and are profitable.
- The proportion of deductions that are unused in the year they are incurred, due to the business operating at a tax loss on nil taxable position.

## Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in preparing this analysis.

- Investment spending would grow in line with the forecast growth of Machinery and Equipment Investment.
- The proportion of assets purchased by Australian businesses with an aggregated turnover of less than \$10 million valued above and below the relevant price threshold would remain consistent with estimated proportions provided by the Department of the Treasury.
- There would be no bringing forward of investments or additionality effects, consistent with the observations of similar policies in the investment and IAWO policy areas.
- Businesses that take advantage of the concessions will stay in business in the future and be profitable at the assumed rate.
- There is no requirement that assets be purchased after 1 July 2025. The asset only needs to be installed/first used after the start date.
- The Australian Taxation Office (ATO) will not require any additional funding to administer the IAWO extension of the proposed policy.

Deviations from these assumptions could significantly affect the costs of the proposal.

## Methodology

The financial implications of the extension were estimated using the model for the IAWO, developed for the existing and previous Budget measures, and modified by the PBO for the purposes of this costing. This keeps consistent assumptions used across multiple fixed asset depreciation and investment policy areas.

- The model estimates the value of investment in depreciating assets for businesses in specific turnover ranges by using 2018-19 tax data as the base investment year and grow in line with the Treasury economic parameters as indicated in *Key Assumptions*.
- Using the estimated investment values, calculated the expected depreciation deductions under current baseline (\$20,000 IAWO cap for 2025-26, then \$1,000 for 2026-27 onwards, as per 2025-26 Budget measure), compared with the proposed policy settings.
- The estimated tax revenue impact was calculated by applying loss utilisation assumptions, effective tax rates and income tax timing to the net change in depreciation deductions in each year. The net impact reflects the difference on assessment when businesses lodge tax returns, and then subsequent changes to their businesses tax instalments during the subsequent years.

Financial implications were rounded consistent with the PBO's rounding rules.<sup>1</sup>

## Data sources

The Treasury provided the costing model for the Pre-Election Economic and Fiscal Outlook 2025 measure *Small Business Support - instant asset write off*, including estimates of business investment in plant and equipment, and eligible businesses.

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<sup>1</sup> <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Commonwealth of Australia, 2025, *Pre-election economic and fiscal outlook 2025*, Canberra: Commonwealth of Australia.

The Australian Tax Office (ATO) provided tax statistics for 2021-22.

## Attachment A – Instant asset write-off – increase cap to \$30,000 and make permanent– Financial implications

**Table A1: Instant asset write-off – increase cap to \$30,000 and make permanent – Fiscal and underlying cash balances (\$m)<sup>(a)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Revenue</b>													
<i>IAWO to \$30k</i>	-	-100.0	-879.0	-927.0	-462.0	-324.0	-279.0	-250.0	-233.0	-223.0	-219.0	-1,906.0	-3,896.0
<b>Total – revenue</b>	-	-100.0	-879.0	-927.0	-462.0	-324.0	-279.0	-250.0	-233.0	-223.0	-219.0	-1,906.0	-3,896.0
<b>Total (excluding PDI)</b>	-	-100.0	-879.0	-927.0	-462.0	-324.0	-279.0	-250.0	-233.0	-223.0	-219.0	-1,906.0	-3,896.0

- (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- Indicates nil.

**Table A2: Instant asset write-off – increase cap to \$30,000 and make permanent – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Fiscal balance</b>	-	-2.0	-24.0	-65.0	-99.0	-121.0	-140.0	-158.0	-176.0	-194.0	-213.0	-91.0	-1,192.0
<b>Underlying cash balance</b>	-	-2.0	-19.0	-55.0	-90.0	-115.0	-135.0	-153.0	-171.0	-190.0	-208.0	-76.0	-1,138.0

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary<sup>2</sup>.
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- Indicates nil.

<sup>2</sup> [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au/online-budget-glossary)