Parliamentary Budget Office

ECR-2025-2670

Tech Booster	
Party:	The Coalition
Summary of proposal: The proposal would allow small businesses to claim a $2,000 bonus tax deduction for eligible technology investments which exceed $4,000 in value. Eligible technology would include digital enabling technology, digital media and marketing, e-commerce tools and cyber security systems. Only businesses with turnover up to $10 million would be eligible. The proposal would start on 1 July 2025 and end on 30 June 2027.	

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around $140.2 million over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects a decrease in administered revenue and an increase in departmental expenses.

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.

The financial implications of this proposal are highly sensitive to a range of assumptions, including the growth in business income and information and communications technology (ICT) expenditure. There are further inherent uncertainties around the behavioural responses to the proposed policy, including the extent to which businesses make additional unplanned technological investment. Any significant behavioural response to the proposal would increase the magnitude of the impact of this costing.

Table 1: Tech Booster – Financial implications ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	-3.0	-42.3	-65.8	-29.1	**-140.2**
Underlying cash balance	-3.0	-42.3	-65.8	-29.1	**-140.2**

(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.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- Eligible ICT expenditure is assumed to grow by the forecast growth of investment in Machinery and Equipment from 2025-26 Budget.
- Assets must be acquired after 1 July 2025 and the eligible technologies be installed or first used before the end date (30 June 2027).

- An average tax rate of 25% is applied to the income of those businesses that are taxable (companies or individuals paying income tax, or partnerships and trusts that have net business income to distribute to partners or beneficiaries which is then assessed to them in their own returns).
- A similar profile of eligible businesses that claimed the small business technology investment boost in the 2022-23 tax return would take-up this proposal. These businesses would have capacity to leverage these financial incentives.
- 50% of businesses who would have spent between $3,500 and $3,999 on technology are assumed to increase their spending to $4,000 in order to be eligible for this $2,000 bonus deduction.

Methodology

The costing is based on Australian Taxation Office (ATO) supplied de-identified tax return information for companies, partnerships, trusts and individuals for the 2022-23 tax year that is grown forward, and factors in:

- the annual revenue for eligible organisations with less than $10 million turnover
- expenditure on eligible technologies was derived by converting the claims for 2022-23 technology boost (being 20% of the investment) to the full value
- business behavioural responses were applied
- the number of entities that claimed technology investment boost and were in a tax paying position for the 2022-23 year.

Using the derived investment data, where that level of investment was at or above the threshold, then the relevant extra deduction was allocated to that business.

The tax impact is calculated by multiplying the estimated extra deduction and any increase in spending by businesses to meet the threshold, by the average tax rate. Businesses are anticipated to lodge their income tax returns relating to 2025-26 from 2026-27 onwards.

Departmental costs were estimated based on the cost of the small business technology investment boost.

Financial implications were rounded consistent with the PBO's rounding rules.[1]

Data sources

The Australian Taxation Office provided de-identified 2022-23 tax return data for companies, partnerships, trusts and individuals.

Budget March 2022-23 measure *Small Business – technology investment boost (budget paper no. 2, page 27)*, Accessed 20 May 2025.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025,* Commonwealth of Australia.

[1] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Attachment A – Tech Booster – Financial implications

Table A1: Tech Booster – Fiscal and underlying cash balances ($m)[(a)]

	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**
Revenue													
Administered tax													
Small business Tech Boost deduction	-	*-40.8*	*-64.3*	*-29.1*	*-6.5*	-	-	-	-	-	-	***-134.2***	***-140.7***
Total – revenue	**-**	**-40.8**	**-64.3**	**-29.1**	**-6.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-134.2**	**-140.7**
Expenses													
Departmental													
Implementation costs	*-3.0*	*-1.5*	*-1.5*	-	-	-	-	-	-	-	-	***-6.0***	***-6.0***
Total – expenses	**-3.0**	**-1.5**	**-1.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-6.0**	**-6.0**
Total (excluding PDI)	**-3.0**	**-42.3**	**-65.8**	**-29.1**	**-6.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-140.2**	**-146.7**

(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: Tech Booster – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances ($m)[(a)(b)]

	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**
Fiscal balance	*-0.1*	*-1.1*	*-3.5*	*-5.8*	*-6.8*	*-7.3*	*-7.6*	*-7.9*	*-8.3*	*-8.7*	*-9.1*	***-10.5***	***-66.2***
Underlying cash balance	*-0.1*	*-0.8*	*-2.9*	*-5.2*	*-6.6*	*-7.2*	*-7.5*	*-7.8*	*-8.2*	*-8.6*	*-9.0*	***-9.0***	***-63.9***

(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[2].

(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.

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[2] Online budget glossary – Parliamentary Budget Office (pbo.gov.au)