



The 2024 Energy Efficiency 20% Bonus Tax Deduction

If a small business has installed, ready for use, energy efficient plant and equipment during the 2023-2024 financial year, they can generally claim 120% of the purchase price as a tax deduction.

Due to the LNP and the Greens delaying the passage of the legislation through the Senate it became law far too late for businesses to make decisions based on the incentive. Nevertheless, it is quite possible some items your business has purchased may qualify for this bonus, so it is worth considering the following. It is quite easy to qualify.

Do not rely on your Accountant to seek out these items, they do not have enough information in your accounting system. You are going to have to bring to their attention any purchases you think may qualify.

What You are Looking for:

Look for assets and improvements that use electricity and are more energy efficient than an alternative. Also, assets supporting electrification such as demand management assets. More energy efficient simply means that there is a less efficient alternative available in the current market. Use the energy rating label. Or it can just be enough that the item you have purchased is more energy efficient than the asset you are replacing.

Think about electrical heating and cooling, batteries, thermal energy storage, induction cooking, replacing or electrifying gas powered plant etc. It is not necessary that the item is the most energy efficient option, just more efficient than an alternative or the item it replaces. The item does not need to replace an existing piece of equipment.

Consider an electrical improvement, for example you may have changed the gas booster on an electrical appliance to an electrical booster. Note that if you have bought a solar hot water system with a gas booster it will not qualify but if you have bought a solar hot water system with an electrical booster, it will. This is due to the requirement that the item must use electricity. So if you have purchased an electrical asset but it does use an insignificant amount of fossil fuel, such as lubrication it will still qualify.

The cost that qualifies for the bonus includes the equipment's installation and delivery costs.

The Fine Print:

The maximum bonus is \$20,000 ie \$100,000 worth of plant and equipment. If you go over the \$100,000 you can still claim \$20,000.

Note the immediate deduction for 120% of the purchase price also relies on the immediate asset write off rules, that is the individual piece of plant or equipment must cost less than \$20,000 to be able to claim an immediate deduction for the full purchase price. If the item does cost more, you can depreciate it and you will still get a bonus deduction for 20% of the purchase price in the current year.

The item must be installed and ready for use between 1st July 2023 and 30th June 2024. Have a look back in the 2023 financial year for items you paid for back then but did not receive until after 30th June, 2023 as these will also qualify for the bonus.

The cost of improvements to an existing asset to make it more energy efficient will also qualify.

Assets used solely or predominately to generate energy such as solar panels will not qualify. Electric cars do not qualify, on the basis there are already incentives in place for them. Capital improvements such as the ducts needed to install an air-conditioning unit, will not qualify but the air-conditioning unit itself probably will.

You need to look at how the asset is going to be used in the 2023-2024 financial year. If the business is a sole trader or partnership, is there going to be any private use? It is only the business percentage that the 20% applies to. Though in the case of companies and trusts it is unlikely that there will be any private use as the private use would most likely be considered a fringe benefit provided to an employee so still 100% business use.

If the asset is sold in the 2023-2024 financial year it will not qualify but no adjustment will be necessary if the asset is sold after 30th June 2024. There is a carve out if there is an involuntary disposal of the asset before 30th June 2024.

If the business qualifies for a GST input credit on the price of the asset, its installation and delivery, then it is the GST exclusive price that the 20% applies to.

Your business's turnover needs to be less than \$10 million.

Please feel free to ask us about any asset you think could qualify, we need to work together to get the most out of this tax concession. It is very unfortunate that the politics played in the Senate have defeated any incentive that was intended. The only businesses that will receive this bonus will be the businesses that would have spent the money on an energy efficient asset anyway.