

50% tax break for new art purchases

Any excuse to buy art is a good one but this one really is too good to miss - a 50% tax deduction is available for new art purchases made before 31 December 2009 by eligible small businesses.

Earlier this year, the Federal Government announced the Small Business and General Business Tax Break, a temporary allowance to encourage business investment. Following submissions by Lowensteins Arts Management, the Australian Taxation Office has now accepted that works of art are eligible as depreciable assets under this scheme.

This tax break is in addition to the annual deduction for depreciation that a business would be entitled to. Under the scheme, a tax deduction of 50% of the purchase price of an artwork can be claimed as long the following criteria are met:

- > The purchaser must be registered with an ABN and have turnover of less than \$2 million per annum
- > The artwork must be purchased primarily for business use in Australia. We understand that display of the artworks in, for example, reception and meeting rooms is acceptable
- > The purchase cannot be for trading stock or for resale within at least the following 12 months
- > The artwork must be physically tangible (so video is excluded) and portable
- > This must be the 'first sale' of an artwork produced by a professional artist registered with an ABN, and purchased from the artist or his/her gallery
- > Minimum spend on any one item is \$1,000 (excluding GST)
- > Purchase or commitment to purchase must be made before 31 December 2009 and installation before 31 December 2010. The tax deduction can be claimed for the income year in which the artwork is first installed

(Note: for businesses with an annual turnover of \$2 million or more, the additional deduction allowed is 10% and the minimum spend is \$10,000)

For more details of this scheme, you can visit the ATO website at www.ato.gov.au. The information above does not constitute specific taxation advice, for which you should consult your accountant.