Depreciating assets

Detailed information about depreciating assets.

Uniform capital allowance system: changing a depreciating asset's effective life

ATO information on changing a depreciating asset's effective life, including when an effective life can and can't be recalculated, and how to make a new estimate. (NAT 4517).

Uniform capital allowance system: disposal of a depreciating asset

Uniform capital allowance (UCA) rules on the disposal of a depreciating asset, how to account for the disposal and offset a balancing adjustment amount against a replacement asset.

Uniform capital allowance system - calculate decline in value

Work out how to calculate decline in value of depreciating assets and estimate effective life.

In-house software

Expenses for in-house software may be deducted in a number of different ways depending on the circumstances.

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Uniform capital allowance system – Changing a depreciating asset's effective life

ATO information on changing a depreciating asset's effective life, including when an effective life can and can't be recalculated, and how to make a new estimate. (NAT 4517).

7 April 2020

From 1 July 2001, uniform capital allowance (UCA) rules will apply to most depreciating assets. Taxpayers generally calculate deductions for the decline in value of their depreciating assets using these rules.

Under UCA rules, deductions for the decline in value of depreciating assets are generally calculated on the basis of effective life. You can choose to recalculate the effective life of an asset in certain circumstances where the effective life you have been using is no longer accurate. If you make an improvement to an asset, you may be obliged to recalculate its effective life.

See also

- Depreciation and capital allowances tool
- Small business entity concessions
- COVID-19

Instant asset write-off

You can claim an immediate deduction for most depreciating assets, depending on:

- the cost of the asset
- when the asset is first used or installed ready for use
- your business's aggregated turnover.

This is referred to as instant asset write-off.

If businesses can't immediately claim a deduction for individual assets, they can continue to deduct these over time using the small business pool or general depreciation rules (depending on their turnover).

You can use the simplified depreciation rules if you are a small business entity (2007–08 and later years).

You must use the simplified depreciation rules for income years where you were in the simplified tax system (2006–07 and earlier years).

Find out about:

- Simpler depreciation for small business
- Instant asset write-off for eligible businesses

Backing business investment – accelerated depreciation

From 12 March 2020 until 30 June 2021 the Backing business investment measure provides a time-limited (15-month) investment incentive to support business investment and economic by accelerating depreciation deductions. The key features of the incentive are as follows:

- The benefits are either
  - Deduction of 50% of the cost or opening adjustable value of an eligible asset on installation. Existing depreciation rules apply to the balance of the asset's cost.
  - If you are using the simplified depreciation rules for small business you can claim 57.5% of the cost of the asset in the first year you add the asset to the small business pool.

- Eligible businesses — businesses with aggregated turnover below $500 million.
- Eligible assets — new depreciating assets (for example, plant, equipment and specified intangible assets, such as patents). The assets must be first held, and first used or first installed ready for use for a taxable purpose on or after 12 March 2020 until 30 June 2021. Some exclusions apply.

Find out about:

- Backing business investment – accelerated depreciation

Recalculating effective life

For plant acquired from 21 September 1999 and for depreciating assets acquired from 1 July 2001, the calculation of decline in value is generally based on the effective life of the plant or asset rather than on the accelerated rates of depreciation that were previously available.

You can choose to recalculate the effective life of a depreciating asset if the nature of your use of that asset changes and those changed circumstances make your current estimate inaccurate. Your choice to recalculate applies where:

- you acquired the depreciating asset, or its construction began from 1 July 2001
- you acquired the plant, or its construction began between 21 September 1999 and 30 June 2001.

You can reassess effective life, regardless of whether you made the existing estimate yourself, or adopted the effective life specified by the Commissioner of Taxation

You can only make a new estimate of effective life after the end of the income year in which you first started to use the asset for any purpose (including a non-income producing purpose).

See also:

- Uniform capital allowance system: calculating the decline in value of a depreciating asset

When you must recalculate effective life

You must recalculate the effective life of a depreciating asset if the asset's cost increases by at least 10% in an income year and you:

- self-assessed the effective life of the asset
- used the Commissioner's determination of effective life and the prime cost method to calculate the asset's decline in value.

You may conclude that the effective life has not changed.

There are special rules for recalculating effective life where depreciating assets are transferred between associates.

When you can't recalculate effective life

You can't recalculate the effective life of a depreciating asset where:

- accelerated depreciation rates are available for the asset
- the asset is an intangible asset, such as a licence, copyright or software
- you simply miscalculated the existing effective life – so your circumstances of use have not changed. In this case, you may be able to correct the miscalculation by seeking an amendment of your existing estimate from the time allowed under the amendment provisions of the law.

Changed circumstances

Changed circumstances that could result in your estimate of effective life becoming inaccurate include:

- your use of the asset turns out to be more or less rigorous than expected
- the asset is scrapped because of a downturn in demand for the goods or services it is used to produce
- legislation prevents the asset's continued use
- new technology makes the asset redundant.

Example – changed circumstances

A depreciating asset used to produce insecticide has a remaining effective life of 10 years. The government decides that use of the insecticide is to be phased out and legislates to end production within two years.

The depreciating asset can't be used for any other purpose so will be scrapped in two years. The effective life of the depreciating asset may then be re-estimated to reflect the loss of eight years of its previously estimated effective life.

How to make a new estimate of effective life

The process of recalculating effective life is the same as the process of estimating effective life. To make a new estimate, you estimate the period (in years) the asset can be used for income-producing purposes by any entity from the time you first started to use the asset for any purpose. The period is based on your expected use of the asset and assumes that it is maintained in reasonably good order and condition.

The new estimate of effective life takes effect for the year in which you make it.

Example – making a new estimate of effective life

DA Pty Ltd acquires a depreciating asset on 1 July 2001 and starts to use it on the same day. The company works out that the effective life of the asset is seven years. During 2001–02, the company is advised that use of the asset will be prohibited by law from 1 July 2003.

The effective life can't be recalculated for 2001–02 because this is the year in which the company started to use the asset. However, for 2002–03 the company may recalculate the effective life at two years. The recalculated effective life is worked out from the time the company first started to use the asset to the date when it can no longer be used for income-producing purposes.

See also:

- Uniform capital allowance system: calculating the decline in value of a depreciating asset

Calculating a depreciating asset's decline in value after its effective life has been recalculated

If you are using the diminishing value method to calculate the decline in value of the asset, the new estimate of effective life is used in the diminishing value formula:

 Multiply the 'base value' by the 'days owned' then divide by 365. Then multiply this number by the result of 150% divided by the 'effective life years'.

if you start to hold the asset prior to 10 May 2006, or

 Multiply the 'base value' by the 'days owned' then divide by 365. Then multiply this number by the result of 200% divided by the 'effective life years'.

if you start to hold the asset on or after 10 May 2006.

Under the prime cost method, an adjusted prime cost formula must be used from the year in which the effective life is recalculated:

 Multiply the 'Opening adjustable value plus cost of improvements ' by the 'days held' then divide by 365. Then multiply this number by the result of 100% divided by the 'remaining effective life years'.

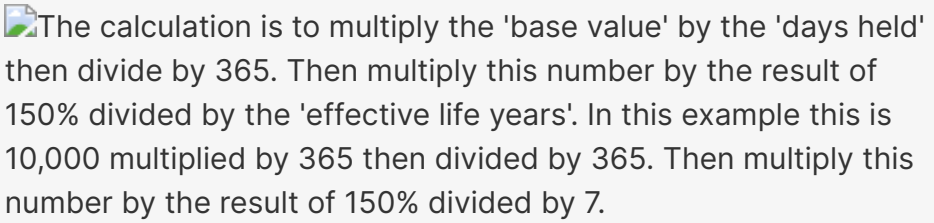
In the adjusted formula, the asset's opening adjustable value (plus the cost of any improvements made to the asset during the year) is substituted for the asset's cost. For effective life, you substitute the period of the recalculated effective life that remains at the start of the year in which you make the new estimate.

See also:

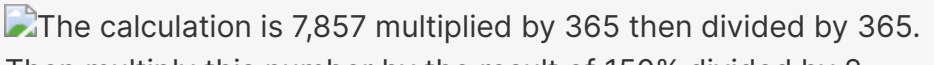
- **Uniform capital allowance system: calculating the decline in value of a depreciating asset**

Example – diminishing value method

Using the facts of the previous example, assume that DA Pty Ltd chose to use the diminishing value method to calculate the decline in value of the asset and the cost of the asset is $10,000. The company's deduction for 2001–02 would be $2,143 calculated as follows:

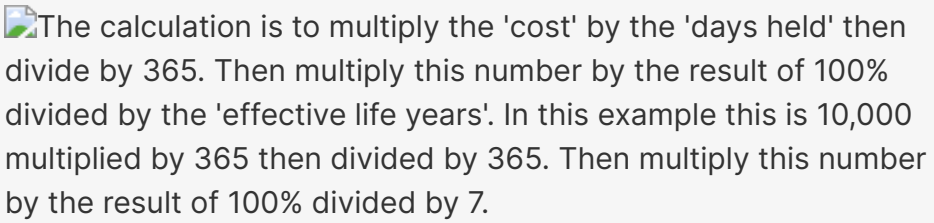


For 2002–03, the company recalculates the effective life for the asset at two years. The asset's opening adjustable value for 2002–03 is $7,857 (that is, $10,000 less $2,143). DA Pty Ltd can claim depreciation of $5,893 for the year, based on the new estimate of effective life of two years as follows:



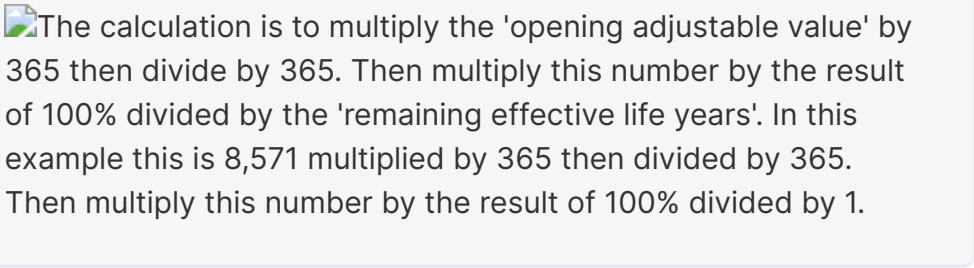
Example (prime cost method)

Assume that DA Pty Ltd uses the prime cost method to calculate the decline in value of the asset. For 2001–02, the deduction for the decline in value of the asset would be $1,429 calculated as follows:



For 2002–03 the company recalculates the effective life for the asset at two years.

Under the prime cost method, an adjusted formula must be used to calculate the decline in value for this and later years. The asset's remaining effective life, worked out as at the start of the income year, is one year. This figure is used instead of the earlier estimate of the asset's effective life and the opening adjustable value of $8,571 (that is, $10,000 less $1,429) is substituted for the asset's cost. The deduction for 2002–03 would be $8,571 calculated as follows:



16295

Uniform capital allowance system – Disposal of a depreciating asset

Uniform capital allowance (UCA) rules on the disposal of a depreciating asset, how to account for the disposal and offset a balancing adjustment amount against a replacement asset.

7 December 2021

The uniform capital allowance (UCA) system applies from 1 July 2001. Under UCA rules, taxpayers calculate deductions for the decline in value of a depreciating asset based on how it's used for a taxable purpose, for example, to produce assessable income.

When you cease to hold, or to use a depreciating asset you must calculate a balancing adjustment. You need to work out this amount to include in your assessable income, or to claim it as a deduction. If the depreciating asset has been used partly for a non-taxable purpose, the balancing adjustment amount is reduced to reflect only the taxable purpose proportion of the asset's use. A capital gain or capital loss can arise at the time of the balancing adjustment. This is only to the extent the asset has been used for a non-taxable purpose.

The following information will help you with the disposal of a depreciating asset. This is particularly dealing with sales, the most common type of balancing adjustments. However these principles apply equally to all types of balancing adjustment events.

Tax depreciation incentives

Eligible businesses may be able to claim an immediate or accelerated deduction for the business portion of the cost of an asset using one of these tax depreciation incentives:

- Temporary full expensing
- Instant asset write-off
- Backing business investment

We have prepared a high-level snapshot to help you work out how these incentives may apply to you. Refer to **Interaction of tax depreciation incentives**.

How to account for the disposal of a depreciating asset

The disposal of a depreciating asset is a balancing adjustment event. You must compare the asset's termination value, with its adjustable value at that time. If the two figures are different, the difference is the balancing adjustment amount.

Generally, the termination value is the amount you receive for the asset on its disposal. It also includes the market value of any non-cash benefits such as goods or services you receive for the asset. The termination value is reduced to exclude GST payable if the disposal is a taxable supply.

A depreciating asset's adjustable value at a particular time is generally its cost less its decline in value up to that time.

The balancing adjustment amount is applied if the termination value of a depreciating asset:

- is more than its adjustable value, the difference is included in your assessable income
- is less than its adjustable value, the difference is an allowable deduction.

The balancing adjustment amount is applied in the year the balancing adjustment event occurs.

Special balancing adjustment calculations apply to luxury cars and to cars where different methods have been used to substantiate car expense deductions.

Sale of a depreciating asset used wholly for a taxable purpose

If the depreciating asset is used wholly for a taxable purpose, the full balancing adjustment amount is applied. No capital gain or capital loss arises.

Example – sale used wholly for a taxable purpose

John operates a small printing business and decides to sell an old photocopier for $2,750. Assuming the sale is a taxable supply, the termination value is reduced by the $250 GST payable. This means that the reduced termination value of the photocopier is $2,500 ($2,750 less $250).

If at the time of sale the adjustable value of the photocopier is $2,000, John must include $500 in his assessable income ($2,500 less $2,000).

If at the time of sale the adjustable value of the photocopier is $2,700, John would claim a deduction of $200 ($2,700 less $2,500).

Sale of a depreciating asset used only partly for a taxable purpose

If a depreciating asset is used only partly for a taxable purpose, you reduce the balancing adjustment amount to reflect that non-taxable use. The reduced balancing adjustment amount is included in, or deducted from, your assessable income under the UCA provisions.

The non-taxable purpose proportion of the difference between the asset's termination value and its cost can constitute a capital gain or a capital loss under the capital gains provisions.

Example – sale used partly for taxable purpose

John also sells a computer. The termination value of the computer is $600 and its cost is $1,000. The computer has been used 40% for private purposes. At the time of sale, the computer's adjustable value is $700. John can claim a $60

deduction for the reduced balancing adjustment amount (60%, the taxable purpose proportion, of $700 less $600). A capital loss of $160 also arises (40%, the non-taxable purpose proportion, of $1,000 less $600).

Sale of a depreciating asset used wholly for a non-taxable purpose

If a depreciating asset is used wholly for a non-taxable purpose, the balancing adjustment amount is reduced to nil.

The difference between the asset's termination value and its cost can constitute a capital gain or a capital loss under the capital gains provisions.

How to account for the costs of selling a depreciating asset

Generally, you reduce the termination value of a depreciating asset by any costs of disposal, such as advertising costs. You can only reduce the termination value if the costs are not deductible.

Offsetting a balancing adjustment amount against a replacement depreciating asset

If the disposal of the asset was involuntary, you can offset the balancing adjustment amount that would otherwise be included in your assessable income against the cost of a new replacement asset (or against the adjustable value of an asset already held). An involuntary disposal of a depreciating asset occurs if an asset you own is:

- lost or destroyed
- compulsorily acquired by an entity (other than a foreign government agency)
- disposed of to an entity (other than a foreign government agency) after they serve a notice on you inviting you to negotiate a sale agreement. They must have informed you that, if the negotiations are unsuccessful, the asset will be compulsorily acquired
- land or an asset affixed to land which is disposed of to an entity (other than a foreign government agency) where a mining lease was

compulsorily granted over the land (or would have been compulsorily granted over the land), the lease significantly affected (or would have significantly affected) your use of the land and the entity to which you disposed of the land is the lessee.

For the offset to be available, the replacement asset must be used wholly for a taxable purpose. It must have been acquired in the period starting a year before the disposal and ending a year after the income year in which the disposal happened. The Commissioner of Taxation can agree to extend this time limit.

The rules in relation to compulsory acquisition of assets were amended on 22 June 2006 to extend to cover compulsory acquisitions by private acquirers.

These amendments apply to events that happen after 1.00pm (by legal time in the ACT), 11 November 1999 and include a provision that allows more time for taxpayers to obtain an amended assessment to benefit from the rules.

Find out about

- Involuntary disposal of a CGT asset

16294

Uniform capital allowance system: calculate decline in value

Work out how to calculate decline in value of depreciating assets and estimate effective life.

19 June 2023

Overview of uniform capital allowance rules

The uniform capital allowance (UCA) rules:

- apply to most depreciating assets

- allow taxpayers to claim deductions for the decline in value of their depreciating assets that they use to produce their assessable income.

Small business entities who choose to use the **simplified depreciation rules** may instead choose to calculate their depreciation deduction using those rules.

Temporary tax depreciation incentives

Eligible businesses may be able to claim an immediate or accelerated deduction for the business portion of the cost of an asset that was first used or installed ready for use by you for a taxable purpose on or before 30 June 2023 using one of these temporary tax depreciation incentives:

- **temporary full expensing**
- **instant asset write-off**
- **backing business investment**

The backing business investment and instant asset write-off incentives are not available to assets first used or first installed ready for use for a taxable purpose after 30 June 2021.

For a high-level snapshot to help you work out how these incentives may apply, see **Interaction of tax depreciation incentives**.

When a depreciating asset starts to decline in value

Under UCA, a depreciating asset starts to decline in value when you first use it (or install it ready for use) for any purpose, including a private purpose. However, a deduction for decline in value is only allowable for the period of time the asset is used for a taxable purpose.

This means if you initially use an asset for a private purpose, and in later years use it for a taxable purpose (such as in a business), you need to work out the asset's decline in value over the period of its private use before you can work out the decline in value for the period you used it for taxable purposes.

Example: working out start date of decline in value

Robyn purchases a car on 1 July 2021 for $25,000. She uses it entirely for private purposes until 1 March 2022 when she starts a new business. The car is then used wholly for business purposes.

The car starts to decline in value from 1 July 2021 because it is being used from that date, but no part of the decline in value is an allowable deduction before 1 March 2022. This is because the car is not used for a taxable purpose before that date.

How to work out the decline in value

You decide whether to calculate the decline in value of a depreciating asset using either the:

- diminishing value method, or
- prime cost method.

In some cases, you must use the same method used by the former holder of the asset. For example, if you acquire the asset from an associate such as your spouse or business partner.

Once you choose a method to use for a depreciating asset, you cannot change it.

For some intangible depreciating assets, including an item of intellectual property, you must always use the prime cost method.

A deduction for the decline in value of a depreciating asset is reduced by the extent it is not used for a taxable purpose. For example, if an asset is used 40% of the time for a private purpose, the deduction for its decline in value is reduced by 40%.

You can claim an **immediate deduction** for certain depreciating assets that:

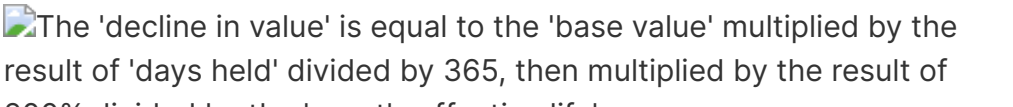
- cost $300 or less
- are used mainly to produce non-business assessable income
- are not part of a set costing more than $300, and

- are not one of a number of items that are identical, or substantially identical, that together cost more than $300.

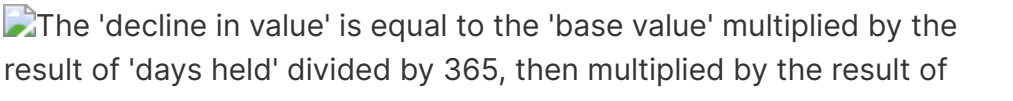
Diminishing value method

Under the diminishing value method, decline in value is calculated using the asset's base value. The base value of an asset is the amount you paid for the asset plus any additional amount you spent on transporting, installing and improving it, less the decline in value up to the end of the prior income year.

If you started to hold the asset on or after 10 May 2006 the formula for the decline in value for an income year is:



If you started to hold the asset before 10 May 2006 the formula for the diminishing value for an income year is:



The diminishing value method:

- assumes the decline in value each year is a constant proportion of the amount not yet written-off
- produces a progressively smaller decline in value over time.

Example: calculating asset's decline in value using the diminishing value method

Colourful Pets Pty Ltd acquires an asset for $10,000 on 1 July 2021 and starts to use it wholly for taxable purposes from that day. The effective life of the asset is 10 years.

If Colourful Pets Pty Ltd chose to use the diminishing value method to calculate the asset's decline in value, the company's deductions in the first 2 years would be:

- 2021–22 income year: $10,000 × (365 ÷ 365) × (200% ÷ 10) = $2,000

- 2022–23 income year: ($10,000 − $2,000) × (365 ÷ 365) × (200% ÷ 10) = $1,600.

Prime cost method

Under the prime cost method, the decline in value:

- is generally calculated as a constant percentage of the asset's cost
- reflects a uniform decline in value over time.

The formula is:

 The 'decline in value' is equal to the 'asset's cost' multiplied by the result of 'days held' divided by 365, then multiplied by the result of 100% divided by the 'asset's effective life'.

The asset's cost includes:

- the amount you pay for it
- any additional amounts you spend on transporting it and installing it in position
- amounts you spend on improving it.

In some circumstances, such as when you **change the effective life** or cost of an asset, an adjusted prime cost formula must be used.

Example: depreciating asset initially used for a non-taxable purpose

Paul purchased a fridge for $2,000 on 1 July 2020 and immediately used it wholly for private purposes as a second fridge.

He started a takeaway business on 1 March 2022, moved the fridge into his business premises and began using it for his business only. Paul does not use simplified depreciation rules for his depreciating assets.

Paul's fridge started to decline in value from 1 July 2020 as that was the day he first used it. He needs to work out the fridge's decline in value from the date he first started using it.

However, Paul can only claim a deduction for the decline in value from 1 March 2022 when he started using it for a taxable purpose.

Paul chooses to use the prime cost method to work out the decline in value and adopts the Commissioner's effective life determination for a fridge (10 years).

The decline in value will be $2,000 x (365 ÷ 365) x (100% ÷ 10) = $200 per year.

Before 1 March 2022, when the fridge was used for private purposes, the decline in value is $333, calculated as the sum of:

- $200 for the income year from 1 July 2020 and 30 June 2021 ($2,000 x (365 ÷ 365) x (100% ÷ 10) = $200)
- $133 for the 243 days from 1 July 2021 to 28 February 2022 before he started using the fridge for a taxable purpose ($2,000 x (243 ÷ 365) x (100% ÷ 10) = $133)

Paul cannot claim deductions for the $333 decline in value of the fridge for the period it was used wholly for private purposes.

He determines there are 122 days between 1 March 2022 and 30 June 2022 (inclusive) during which he used the fridge exclusively for his takeaway business.

Paul calculates his deduction for the fridge in the 2021–22 income year as follows:

$2,000 x (122 ÷ 365) x (100% ÷ 10) = $67

He will be able to claim a deduction of $67 for the decline in value for the fridge in the 2021–22 income year.

For help calculating the deduction available from a depreciating asset, use the **Depreciation and capital allowances tool**.

Effective life of the asset

The decline in value of a depreciating asset is generally based on the asset's effective life. The effective life is broadly the period it can be used by anyone for income-producing purposes. This assumes it will be:

- subject to wear and tear reasonably expected from the circumstances of use
- maintained in reasonably good order and condition.

You decide whether to make your own estimate of a depreciating asset's effective life or to adopt **the Commissioner's effective life determination**. In some situations, you don't have a choice.

For example, if you acquire the asset from an associate such as your spouse or business partner, you must use the:

- same effective life they used (if they used the diminishing value method)
- effective life that is yet to elapse (if they used the prime cost method).

For some intangible depreciating assets, such as intellectual property, you do not have a choice as the effective life is set out in the UCA rules.

If you use the Commissioner's effective life determinations, they will not be challenged in any audit process. If you estimate the effective life, we may ask you to explain how you worked it out.

Estimating a depreciating asset's effective life

If you choose not to adopt the Commissioner's determination of effective life, or there isn't one for your asset, you estimate the effective life as at the time it is first used or installed ready for use for any purpose. The estimate should take into account:

- how you expect to use the asset
- what rate of wear and tear you would reasonably expect from that use assuming the asset is maintained in reasonably good order and condition
- how long the asset could be used to produce income (irrespective of who used it)
- any proposal to scrap or abandon the asset that would cut short its use for income producing purposes.

You also need to take into account relevant factors such as the manufacturer's specifications, independent engineering information

and your particular experience with similar assets.

Altering the effective life you are using

You can choose to recalculate the effective life you are using for an income year if your circumstances of use change and the effective life you have been using is no longer accurate.

You can do this if you adopted the Commissioner's effective life determination or are using your own estimate. You can recalculate the effective life each time your circumstances change Also, if you improve an asset that results in its cost increasing by 10% or more in an income year, you are obliged to **recalculate the effective life**.

Calculating the decline in value of assets in a low-value pool

The decline in value of certain assets with a cost or opening adjustable value of less than $1,000 can be calculated through a **low-value pool** at a diminishing value rate of 37.5%.

For an income year in which you acquire an asset and allocate it to the pool during the year, you work out its decline in value at a rate of 18.75%, or half the pool rate. See **working out the decline in value of depreciating assets in a low-value pool**.

The **sampling rule** is available to businesses that have a low-value pool.

16297

In-house software

Expenses for in-house software may be deducted in a number of different ways depending on the circumstances.

23 April 2019

In-house software is computer software, or the right to use computer software that you acquire, develop or have someone else develop for your business use, not for sale.

It does not include commercial off-the-shelf software if the software has an effective life of one year or less, or periodic payments made to use software in your business. These costs are deductible in the year incurred.

In-house software is only deductible under the uniform capital allowances (UCA) rules or the simplified depreciation rules for small business entities.

Deductions for in-house software may be claimed in a number of ways depending on the circumstances:

- Business costs
- Software development pools
- Disposal of in-house software

Business costs

If you're a small business you can use the simplified depreciation rules for the purchase and development of software that is installed and ready to use.

If the expense was less than the instant asset write-off threshold, you may be able to claim a deduction for the expenditure in the year you incurred it. If the expense is equal to or more than the instant asset write-off threshold, you can depreciate it under the general small business pool rules.

If the software is still in development and is not ready for use, you can use the software development pool rules.

If you can't or have chosen not to use the simplified depreciation rules or a software development pool, you can depreciate the value of the software using the prime cost method. The depreciation of the in-house software depends on when you started to hold it:

- five year effective life if you started to hold it on or after 1 July 2015
- four year effective life if you started to hold it between 7.30pm AEST on 13 May 2008 and 30 June 2015.

Next steps:

- **Simplified depreciation for small business**
- **Prime cost (straight line) and diminishing value method**

Software development pools

You can allocate expenses you incur for the development of in-house software, which you intend to use solely for income producing purposes, to a software development pool. This includes expenses incurred before the in-house software is installed and ready for use.

Once you make the choice to allocate these expenses to a software development pool, you must allocate all later in-house software expenses to a pool. A different pool is created for each income year in which you incur development expenses.

In-house software that is allocated to a software development pool is depreciated at the following rates:

- For expenditure incurred from 1 July 2015
  Year 1 – Nil
  Year 2 – 30%
  Year 3 – 30%
  Year 4 – 30%
  Year 5 – 10%
- For expenditure incurred up to 30 June 2015
  Year 1 – Nil
  Year 2 – 40%
  Year 3 – 40%
  Year 4 – 20%

If you're entitled to claim a GST input tax credit for the expense, the amount allocated to the software development pool does not include the credit.

Disposal of in-house software

If you have allocated software development expenses from a project to a software development pool and the project is abandoned, the amounts remain part of the pool.

If you receive consideration for software in a software development pool, you must include the consideration in your assessable income unless you choose rollover relief to apply. An example of consideration would be insurance proceeds on the destruction of the software.

If you stop using in-house software that has not been allocated to a software development pool and you never expect to use it again, you

can claim an immediate deduction for the cost of the software at that time.

You can also claim an immediate deduction for expenses on in-house software that have not been allocated to a software development pool if you:

- haven't used the software and decide that you will never use it
- had it installed ready for use and decide that you will never use it.

The amount you can deduct is your total expenses for the software less any amount you receive for the software, or a part of it.

See also:

- Disposing of a depreciating asset
- Rollover relief

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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