

The instant-asset write off: A blind spot, or willful ignorance?

TAX

SMEs adopting AI tools are being left behind in favour of physical assets despite the changing productivity landscape, says one financial expert.

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The 2026-27 budget has been described as heavy on productivity by the Albanese government, but seemingly contradicts itself, says Akshaya Naronika of Iridium Private. Framed as a major productivity win for small business, she said, it instead represents a major tax blind spot that is concerning economists, SME operators and the technology sector.

Allowing businesses with turnover below \$10 million to immediately deduct the full cost of eligible depreciating assets under \$20,000 - rather than waiting for tax time - the IAWO has been praised by industry bodies, including CA ANZ, but according to Naronika, the measure fails to acknowledge AI as an asset driving productivity and growth.

She said: "A small business can instantly write off a ute, workshop equipment, coffee machines or laptops - yet the AI platforms now automating administration, replacing outsourced labour, streamlining compliance, generating market content, analysing customer data and lifting operational efficiency remain excluded because they are delivered as subscription software."

This means SMEs adopting AI tools are not the beneficiaries of any tax incentive, despite AI "rapidly

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A specific write-off, it was argued, could drive adoption behaviour and send the same economic signal the government is sending regarding physical assets.

With the UK, Singapore and the US increasing support for AI across the sector, Australia “risks remaining tied to a tax framework built for the industrial era rather than the AI economy”, Naronika warned.

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“The issue has become more pronounced following the expiry of the Federal Government’s Technology Investment Boost in 2023 - a scheme that provided a 20 per cent bonus deduction on digital investment spending and was viewed by many SMEs as one of the few policies aligned with how modern businesses actually operate.”

In this way, many SMEs are feeling let down by a budget in a time where AI is increasingly being viewed as “a commercial survival mechanism”.

With numerous technology and policy voices now calling for a broader review into the Australian definition of eligible depreciating assets, it remains to be seen whether SMEs adopting AI will be granted support for the future.



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AUTHOR

Amelia is a Professional Services Journalist with Momentum Media, covering Lawyers Weekly, HR Leader, Accountants Daily and Accounting Times. She has a background in technical copy and arts and culture journalism, and enjoys screenwriting in her spare time.

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