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Uniform capital allowance system – Disposal of a depreciating asset

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. Additionally, a capital gain or capital loss can arise at the time of the balancing adjustment but 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 particularly dealing with sales, the most common type of balancing adjustments. However these principles apply equally to all types of balancing adjustment events.

If you are using the simplified depreciation rules, you generally won't use the UCA rules. Under the simplified depreciation rules, you can claim an immediate deduction for most depreciating assets costing less than \$20,000. You can also pool most other depreciating assets.

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

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

Find out about:

- [How to account for the disposal of a depreciating asset \(?anchor=H2#H2\)](#)
- [Sale of a depreciating asset used wholly for a taxable purpose \(?anchor=H3#H3\)](#)
- [Sale of a depreciating asset used only partly for a taxable purpose \(?anchor=H4#H4\)](#)
- [Sale of a depreciating asset used wholly for a non-taxable purpose \(?anchor=H5#H5\)](#)
- [How to account for the costs of selling a depreciating asset \(?anchor=H6#H6\)](#)
- [Can you offset any balancing adjustment amount against a replacement depreciating asset? \(?anchor=H7#H7\)](#)

See also:

- [Depreciation and capital allowances tool \(/depreciationtool\)](#)
- [Small business entity concessions \(/sbconcessions\)](#)

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