Australian Government
Australian Taxation Office

What if you dispose of a pooled depreciating asset?

If you dispose of a pooled asset during an income year you must reduce the closing pool balance for that year by the taxable use percentage of the asset's termination value (for example, any proceeds from the disposal). If this percentage of termination value exceeds the closing pool balance, the excess is included in your assessable income.

When an asset that was used only partly for a taxable purpose is disposed of, a capital gain or loss may arise. Where there's a difference between the asset's cost and its termination value, the proportion of this difference that is attributable to the estimated non-taxable use of the asset is treated as a capital gain or loss under the capital gains provisions.

Example 3

Following on from the first example, during 2002–03, John sells the printer for $500. Because he originally estimated that the printer would only be used 60% for taxable purposes, the closing balance of the pool is reduced by 60% of the termination value, that is:

60% x $500 = $300

A capital loss of $196 also arises. As the printer's taxable use percentage is 60%, 40% of the difference between the asset's cost and its termination value is treated as a capital loss, that is:

40% x ($500 less $990) = $196 capital loss

How do you work out the closing pool balance?

The closing balance of a low-value pool is the sum of:

- the closing pool balance for the previous income year

  plus

- the taxable use percentage of the costs of any low-cost assets allocated to the pool for the year

  plus

- the taxable use percentage of the opening adjustable values of low-value assets allocated to the pool for the year

  plus

- the taxable use percentage of the cost of any improvements made to the assets in the pool during the year

  less

- the deduction for the decline in value of the depreciating assets in the pool for the year

  less

- the taxable use percentage of the termination value of any pooled assets that you disposed of during the year.

Example 4

Assuming that John made no additional acquisitions to or disposals from his low-value pool, the closing balance of his pool for 2001–02 and 2002–03 is:

Closing pool balance	**Item**	**Amount**
2001–02		
Closing pool balance for 2000–01		$5,000
Plus taxable use percentage of low-cost assets allocated for the year (see example_1 (?anchor=Example_1#Example_1))	New printer	$594
Less decline in value of assets in pool for the year (see example_2 (?anchor=Example_2#Example_2))		– $1,986
Closing pool balance for 2001–02		**$3,608**
2002–03		
Closing pool balance for 2001–02		$3,608
Less decline in value of assets in pool for the year	37.5% x $3,608	– $1,353
Less taxable use percentage of termination value of pooled assets that were disposed of during the year (see example_3)		– $300
Closing pool balance for 2002–03		**$1,955**

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