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Your Website Is an Asset — and the ATO Agrees

- But there are hidden benefits and traps for businesses

Most small-business owners don't think of their website as a real asset—but the Tax Office does. In fact, it treats your website like any other item of business equipment, not just a marketing expense. That means how you build your website, upgrade it, or replace it can have serious tax and valuation consequences.

This view is set out in Taxation Ruling TR 2016/3, which explains how the ATO treats website-related expenditure for tax purposes. The ruling has been in force for several years, but with the rise of AI-powered platforms and shifting online standards, its impact is now being felt more than ever for business owners and their advisors.

Indeed, as development costs increase to incorporate AI features and intelligent automation, the distinction between a minor upgrade and a complete rebuild becomes critical—each triggering very different tax treatments under the ruling. Getting this wrong could mean missing out on deductions or incorrectly capitalising expenses.

What Does the Ruling Say?

Essentially, websites are generally treated as "in-house software"—a type of depreciable intangible asset.

In practice:

- The cost of developing or acquiring a website is **capital expenditure**, depreciated over five years.
- Only ongoing costs like domain registration, hosting, and routine maintenance are immediately deductible.
- Significant upgrades (e.g. new online features, customer portals, or e-commerce systems) are treated as new capital expenditure, and thus, in most cases, are not immediately deductible.

Why This Matters

Many accountants and business valuers do not separately account for websites—often bundling them into goodwill or ignoring them entirely. But this approach can have serious implications, particularly when:

- A business is sold:
  If the website is included in the sale but not separately identified or valued, the purchaser cannot claim depreciation on it—even if it retains economic value. It is treated as part of goodwill, which is likely not depreciable.

  To preserve deductibility, it's essential that the sale agreement clearly allocates an appropriate portion of the purchase price to the website. This allows the new owner to depreciate it over the remaining effective life or start afresh if rebuilt.

- Technology changes:
  With the rise of AI-integrated platforms, many existing HTML/PHP and WordPress websites may soon face the prospect of becoming technologically obsolete. Businesses needing to rebuild from scratch may have to write off any remaining book value of the old website and capitalise the new build.

What You Should Do

- Review past website expenditure — ensure that capital costs are depreciated correctly, and revenue costs (ongoing expenditure) are claimed in-year.
- If buying a business, seek a clear asset breakdown showing the value of the website separately from goodwill.
- Reassess older websites — if a full rebuild is likely, prepare for the associated tax consequences; and make sure you discuss this tax-ruling requirement with your accountant or tax advisor.

Technology is evolving fast—and smart operators are already investing in AI-ready websites to stay ahead. But we're seeing too many cases where accountants and advisers overlook websites as real 'stand-alone' business assets, treating them as mere marketing spend.

This can lead to incorrect GST claims, denied deductions, and missed depreciation opportunities—especially when businesses are bought or sold without clearly separating the website's value. That's why we work closely with trusted tax specialists to ensure our clients—whether buyers, sellers, or operators—get advice that fits their specific and unique commercial needs. For more about our referral services, visit our Legal & Accounting Experts page.

Rember, websites aren't just electronic brochures anymore. They're business-critical assets—and TR 2016/3 makes clear the ATO sees them that way. So should you.

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