



Notice of Withdrawal

Taxation Ruling

Income tax: depreciation of trading ships purchased under hire purchase agreements

Taxation Ruling IT 2419 is withdrawn with effect from today.

1. Taxation Ruling IT 2419, which issued on 25 June 1987, deals with the question of whether a hirer of an eligible trading ship under a hire purchase agreement would be treated as an owner of the ship for the purposes of section 57AM of the *Income Tax Assessment Act 1936* (ITAA 1936). Section 57AM of the ITAA 1936 provided an income tax deduction for depreciation on eligible Australian trading ships at an annual rate of 20%.
2. From 1 July 1996, section 57AM only applied to:
 - (i) ships which already qualified for the special allowance; and
 - (ii) ships contracted for purchase or construction before 1 May 1996 that were delivered to the shipowner and registered in Australia before 1 July 1997.
3. Any new ship purchased, or for which a construction contract was signed, on or after 1 May 1996 was subject to the general depreciation provisions in section 54 of the ITAA 1936 or Division 42 of the *Income Tax Assessment Act 1997* (ITAA 1997). Division 42 only applied from the 1997-98 income year to the 2000-2001 income year.
4. From 1 July 2001, deductions for depreciating assets subject to a hire purchase agreement are covered by the uniform capital allowance regime, contained in Division 40 of the ITAA 1997, and Division 240 of the ITAA 1997. Whether the hirer of a depreciating asset subject to a hire purchase agreement is the holder of the depreciating asset is dealt with in section 40-40 of the ITAA 1997.
5. As the legislation dealt with in Taxation Ruling IT 2419 no longer applies, the Ruling is withdrawn.

Commissioner of Taxation
15 December 2004

ATO references

NO: 2003/11684
ISSN: 0813-3662