TD 93/D113 - Income tax: if a purchase of depreciable plant comprises individual items costing $300 or less each or have an effective life of less than 3 years, can these individual items be depreciated at the rate of 100% in terms of subsection 55(2) of the Income Tax Assessment Act 1936 ?

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Draft Taxation Determination

Income tax: if a purchase of depreciable plant comprises individual items costing $300 or less each or have an effective life of less than 3 years, can these individual items be depreciated at the rate of 100% in terms of subsection 55(2) of the *Income Tax Assessment Act 1936*?

1. Yes. Provided that the item costing $300 or less or having an effective life of less than 3 years :

(a) is regarded as a whole,
(b) is capable of being separately identified, and
(c) has a separate function,

the item will be depreciated at the rate of 100% under subsection 55(2), if the taxpayer does not nominate a lower rate in terms of subsection 55(8).

2. The 100% depreciation rate only applies to depreciable plant acquired on or after 1 July 1991. Depreciation at the 100% rate is deductible in the year of income in which the depreciable plant is first used by the taxpayer for the purpose of producing assessable income or is installed ready for use for that purpose.

Example:

A taxpayer purchases 20 chairs at $250 each during the 1991-1992 income year which are used for the purpose of producing assessable income. Each chair satisfies the requirements set out in paragraph 1 above. Unless the taxpayer nominates a lower rate, the depreciation deduction allowable in the 1991 -1992 income year is:-

20 x $250 = $5000

Commissioner of Taxation
13/5/93

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Related Rulings: IT 2142; IT 2685
Subject Ref: depreciation; depreciable assets
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