



TD 94/D10 (Withdrawn) - Income tax: can an apprentice claim a deduction for the full cost of tools of trade in the year of purchase?

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 This document has been Withdrawn.

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

Draft Taxation Determination

Income tax: can an apprentice claim a deduction for the full cost of tools of trade in the year of purchase?

1. Yes, providing either of the following conditions is satisfied:
 - the cost of each item is no more than \$300; or
 - the items have an effective life of less than three years.

If the item costs more than \$300 and its effective life is three years or more, part of the cost is deductible as depreciation each year over the life of the item.

2. These rules apply to items acquired on or after 1 July 1991 which are used or installed ready for use during the year of purchase.
3. Information about calculating depreciation is contained in Tax Pack. Maximum annual rates of depreciation applicable to various items are set out in the depreciation determination attached to Taxation Ruling IT 2685. These rates are based on the Commissioner's estimate of the effective life of the items. Further information can be obtained from an ATO branch office.
4. There is an option to adopt lower rates of depreciation than those specified in the depreciation determination, including items to which 100% depreciation applies. This option is available for items acquired after 26 February 1992.

Example

On 1 February 1993, Carla, an apprentice motor mechanic, purchased:

| | \$ |
|--|-----|
| 1. <i>Spanner and socket sets</i> | 160 |
| 2. <i>Power tool (effective life 5 years)</i> | 90 |
| 3. <i>Vehicle repair equipment (effective life 10 years)</i> | 400 |

The full cost of items 1 and 2 is deductible. For Item 3, using the diminishing value rate of 25% (the rate corresponding to an effective life of ten years), the depreciation deduction for the 1992/93 year is calculated as follows:

$$\$400 \times 25/100 \times 150/365 = \$41$$

FOI INDEX DETAIL: Reference No.

Related Determinations: TD 93/159

Related Rulings: IT 2685

Subject Ref: depreciation; depreciation rates; allowable deductions; tools

Legislative Ref: ITAA 55(2); ITAA 54(2A)

Case Ref:

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