


IT 2116 - Income tax: repairs to income-producing property

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TAXATION RULING NO. IT 2116

INCOME TAX: REPAIRS TO INCOME-PRODUCING PROPERTY

F.O.I. EMBARGO: May be released

REF

H.O. REF: J 204/1
83/5998

DATE OF EFFECT: Immediate

B.O. REF:

DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1127230	REPAIRS	51(1) 53(1)

PREAMBLE

It has been decided that an appeal will not be lodged against the decision by Board of Review No. 3 sitting as a quorum dated 5 October 1984 that expenses incurred by a taxpayer in repairing a rent-producing property were allowable. The decision has not yet been reported.

FACTS

2. The taxpayer owned a two storey rent producing property consisting of shops and flats. The external walls of the upper storey were made of timber weatherboard and one wall was found to have several rotting weatherboards, which the taxpayer replaced. Instead of painting the new weatherboards, the taxpayer covered the wall with cladding which was reputed to require no future maintenance. The taxpayer incurred \$2190 in replacing the boards and cladding the wall, and claimed this amount as an allowable deduction for the year ended 30 June 1979.

3. In their reasons for decision the two members of the Board said that expenditure on preventative maintenance could amount to repair where the form and function of the article remained essentially unchanged. The test adopted by the Board was the restoration of efficiency of function rather than exact reproduction of form or material. In the circumstances, the Board held that the activity amounted to repairs and the expense thereof was allowable.

RULING

4. The decision reached by the Board was open to it on the evidence adduced at the hearing. The decision applies existing law to the facts established before the Board and no change in assessing policy is necessary.

COMMISSIONER OF TAXATION
16 November 1984

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