


IT 2149 - Income tax : expenditure incurred in replacing electricity poles

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TAXATION RULING NO. IT 2149

INCOME TAX : EXPENDITURE INCURRED IN REPLACING
ELECTRICITY POLES

F.O.I. EMBARGO: May be released

REF

H.O. REF: 84/3732-7

DATE OF EFFECT:

B.O. REF:

DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
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I 1174874	MAINS ELECTRICITY CONNECTIONS. POLES, UNDERGROUND CABLES. REPAIRS. INSURANCE RECOVERIES	26(j) 53 70A
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FACTS

Following the 1984 Ash Wednesday bushfires the Victorian State Electricity Commission undertook a campaign to inspect the soundness of all privately owned electricity poles on rural properties.

2. In many cases the property owners have been required to replace poles. In some instances, because of the high bushfire risk, the Commission has required that some sections of the overhead power lines be replaced with underground cables.

3. Advice has been sought from this office whether an income tax deduction is allowable to owners of farming properties for expenditure incurred in meeting the requirements of the Commission.

RULING

4. Although section 70A of the Income Tax Assessment Act provides an income tax deduction for certain expenditure incurred on mains electricity connections the section does not extend to the cost of replacing or relocating existing poles or cables unless the replacement or relocation results in an upgrading of an existing connection to increase the amount of electricity to a metering point. Because expenditure incurred in meeting the requirements of the Commission would not involve any resulting increase in the supply of electricity section 70A does not have any application.

5. Nevertheless, in the circumstances giving rise to the replacement of the electricity poles and overhead power lines, it is considered that the work undertaken constitutes repairs and that the expenditure would qualify for deduction to the extent permitted by section 53.

6. Where expenditure is incurred on and after 19 April 1984 on repairs to property which is used only partly for the purpose of producing assessable income, sub-section 53(3) limits

the deduction to the amount that is considered reasonable in the circumstances. This means that where the electricity connection is used for both domestic and business purposes, the deduction will be limited to that part of the expenditure which reasonably relates to the use of the electricity connection for business purposes. Expenditure incurred prior to 19 April 1984 will be allowable in full as an income tax deduction.

7. Any amount received by way of insurance or indemnity in respect of the expenditure incurred in replacing poles or overhead wires should be included in the assessable income of the recipient in terms of section 26(j) to the extent to which the expenditure is an allowable deduction.

COMMISSIONER OF TAXATION
29 March 1985

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