IT 2162 - Income tax : basis of assessment for income from chattel leasing transactions - finance or actuarial method - gross rents less depreciation method

This cover sheet is provided for information only. It does not form part of *IT 2162 - Income tax : basis of assessment for income from chattel leasing transactions - finance or actuarial method - gross rents less depreciation method*

This document has been Withdrawn.
There is a Withdrawal notice for this document.

Generated on: 26 November 2026, 07:41:37 AM

TAXATION RULING NO. IT 2162

INCOME TAX : BASIS OF ASSESSMENT FOR INCOME FROM CHATTEL LEASING TRANSACTIONS - FINANCE OR ACTUARIAL METHOD - GROSS RENTS LESS DEPRECIATION METHOD

F.O.I. EMBARGO: May be released

REF H.O. REF: 85/3571-0 DATE OF EFFECT:

B.O. REF: DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1174714	INCOME FROM CHATTEL LEASING	25(1)
	DEPRECIATION	54

RULING

Head Office memorandum J146/569 of 28 August 1974 stated that, for income tax purposes, finance and leasing companies may be allowed to use the same method of accounting for income from chattel leasing transactions as they use in their published accounts. The method so used is known as the financial or actuarial method. Returning income on this basis was accepted in place of the traditional method, viz., gross rentals less deductions by way of depreciation plus adjustment at the time of disposal of the leased property on the understanding that income from all chattel lease transactions entered into by the companies would be returned on the new basis.

2. In more recent years a number of the companies who had opted for the financial or actuarial method of returning income from chattel leasing transactions sought to revert to the traditional gross rentals less depreciation method. This has been readily accepted on the understanding that it would be applied to all chattel leasing transactions entered into from the commencement of the year of change, and that the companies would not in future seek to again vary the basis of accounting for chattel leasing transactions unless there is some variation in the income tax law at the time.

3. Some companies, however, have sought approval to return income from a number of their chattel leasing transactions by the rentals less depreciation method while returning income from other transactions on the financial-actuarial method. The option has been sought depending upon the tax benefits that would apply to particular leases, e.g., taking advantage of high depreciation rates. Approval to do so has not been given.

4. Where a company or group seeks to avail itself of the better of both methods by the device of placing financial-actuarial transactions in a separate subsidiary while maintaining the rentals less depreciation transactions in a parent or another subsidiary, the group should be required to

return income from all chattel lease transactions entered into by the various companies in the group on the same basis. Generally this will be the rentals less depreciation method.

COMMISSIONER OF TAXATION
20 May 1985

<