


IT 237 - Primary production - expenditure on eradication of noxious weeds

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TAXATION RULING NO. IT 237

PRIMARY PRODUCTION - EXPENDITURE ON ERADICATION OF
NOXIOUS WEEDS

F.O.I. EMBARGO: May be released

REF

H.O. REF: 74/1260 (J35/23)

DATE OF EFFECT:

B.O. REF:

DATE ORIG. MEMO ISSUED: 25.10.74

F.O.I. INDEX DETAIL

REFERENCE NO:

SUBJECT REFS:

LEGISLAT. REFS:

I 1102726

PRIMARY PRODUCTION
ERADICTION OF
NOXIOUS WEEDS
CLEARING OF LAND

75A

PREAMBLE

As a result of representations received, advice issued to Branch Offices on the question of whether a deduction is allowable for expenditure incurred in the eradication of noxious weeds.

RULING

2. It is well established that the initial expenditure incurred in the clearing and eradication of noxious weeds from land not previously used for primary production is of a capital nature. This is so whether the expenditure is incurred in compliance with a State Department order or whether incurred on the initiative of the taxpayer.

3. However, there is no question of deductions being denied for expenditure of this nature incurred by a primary producer, as a result of the amendments to the income tax law passed by Parliament last year. Where the expenditure is of a capital nature, the timing of the deduction has merely been altered. Instead of being deductible in full in the year in which it was incurred the capital expenditure will be deductible by way of ten equal annual instalments. The first deduction being against income of the year in which the expenditure was incurred.

4. On the other hand expenditure on weed control of a continuing or recurring nature after the initial clearing of the property would be of a revenue nature and, as such, deductible in full in the year in which the expenditure was incurred.

COMMISSIONER OF TAXATION