IT 24 - Investment allowance - adjustments where leave granted to change accounting period

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TAXATION RULING NO. IT 24

INVESTMENT ALLOWANCE - ADJUSTMENTS WHERE LEAVE GRANTED TO CHANGE ACCOUNTING PERIOD

F.O.I. EMBARGO: May be released

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PREAMBLE It has been brought to attention that in cases where investment allowance deductions are allowable in assessments for change-over years (i.e., the year in which leave has been granted to change an accounting period) and adjustments are to be made because returns do not cover a full year's income, adjustments are based on the amount that would have been the taxable income for the change-over period if the investment allowance had not been taken into account.

RULING 2. If a full 12 months income and deductions are returned in the change-over year, e.g. if a return is lodged for the year 1 April to 31 March, investment allowance deductions would be allowed on all qualifying expenditure incurred in the 12 months. No adjustment is made to the investment allowance deduction because expenditure was incurred in the early part of the 12 months and was taken into account in the prior assessment.

3. Similarly, when the return for the year of change-over relates to a period of less than 12 months and a proportionate adjustment is to be made to arrive at a taxable income for a 12 months period, any investment allowance deductions allowable in respect of the period of less than 12 months should not be added back in the generality of cases to the taxable income for the purposes of calculating the appropriate adjustment.

4. This is not a situation where the taxpayer would be allowed more than a full year's deduction for the investment allowance - he may be entitled to further investment allowance deductions in the period April to June. Cases may arise, however, where it would be proper to exclude the investment deduction in the calculation of the adjustment, e.g. where there was exceptional expenditure on plant in the period of less than 12 months - the adjustment to be made in such cases will be a matter for determination in each case.

COMMISSIONER OF TAXATION