


IT 2591 - Income tax : rate of depreciation for grinding and milling machines

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TAXATION RULING NO. IT 2591

INCOME TAX RATE OF DEPRECIATION FOR GRINDING AND
MILLING MACHINES

F.O.I. EMBARGO: May be released

REF N.O. REF: 87/3600-6 DATE OF EFFECT: Immediate

B.O. REF: Bris 4/CORR 744/11 DATE ORIG. MEMO ISSUED: 10.07.87

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1011982	DEPRECIATION	54
	GRINDING AND MILLING	55
	MACHINES	
	AUTOMATIC SLAB	
	GRINDING MACHINES	

PREAMBLE This Ruling determines the rate of depreciation under section 55 of the Income Tax Assessment Act 1936 (the Act) for grinding and milling machines and automatic slab grinding machines.

FACTS 2. These machines are used to supply and install polished concrete panels on construction sites. Diamond and carborundum abrasives are used in the polishing process and the dust so created is extremely destructive to the mechanical parts of the machines.

3. A rate of depreciation was sought based on the period the machines were to be used on a particular construction site, rather than by reference to the effective lives of the machines.

RULING 4. Section 55 requires the Commissioner to make an estimate of the effective life of a unit of property, assuming that it is maintained in reasonably good order and condition. In estimating effective life, the Commissioner has regard to the period of time that the unit is capable of being effectively used for its intended purpose. Factors such as:

- . the period that the unit may be used on a particular job or project,
- . the term of any borrowing facility used to purchase the unit, or
- . when the unit may become obsolete,

are not relevant for the purposes of determining effective life under section 55.

5. Available information indicates that the effective life of the machines is 3 years. Accordingly, a prime cost rate of depreciation of 33 1/3% per annum has been fixed under section

55 of the Act.

COMMISSIONER OF TAXATION
7 June 1990