IT 68 - Investment allowance - aircraft

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TAXATION RULING NO. IT 68

INVESTMENT ALLOWANCE - AIRCRAFT

F.O.I. EMBARGO: May be released

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OTHER RULINGS ON TOPIC IT's 77, 93, 94, 95, 96

PREAMBLE The question of eligibility for investment allowance of aircraft was considered.

RULING 2. It is considered that where a new aircraft is required to be ferried from an overseas manufacturer and then undergo Australian inspection, including test flights, the aircraft would be accepted as new for the purposes of the investment allowance at the conclusion of the tests.

3. The question of elibility where the aircraft is used on demonstration flights is one where it is difficult to set any general ruling. Each case would have to be judged on its own facts.

4. However, where a new aircraft constitutes trading stock of the vendor and is demonstrated for a prospective purchaser who buys it at the new price, it is considered that the aircraft would qualify as new for the purposes of the investment allowance.

5. On the other hand, where an aircraft, or any other item of plant, is used for demonstration purposes over a significant period, it is considered that it would not qualify as new to a prospective purchaser. Of course, in this type of case, the allowance may be available to the owner/demonstrator.

6. On the question relating to the requirement that the aircraft must be used wholly and exclusively in Australia, it is considered that the investment allowance would not be forfeited where an aircraft that is normally used for regular scheduled operations in Australia is used for the occasional flight on an irregular basis to nearby Pacific Islands.

7. In clarification of the words "occasional flight on an irregular basis to nearby Pacific Islands" this is considered to apply only in the sense of an unforeseen emergency situation such as that undertaken recently by a Queensland company to convey an air pilot victim of a P.N.G. native axe attack to

Australia for hospitalisation.

8. In particular, it has been determined that, in the undermentioned circumstances section 82AA(a)(i) operated to disqualify the expenditure upon an aircraft from investment allowance:

(i) The use some 4 or 5 times annually to transport technicians and/or directors to P.N.G. to supply technical and management expertise to a P.N.G. associate.

(ii) Charter of the jet between Australia and P.N.G. through the owner company's charter branch.

COMMISSIONER OF TAXATION