

IT 76 - Investment allowance - plant acquired under hire purchase agreement



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TAXATION RULING NO. IT 76

INVESTMENT ALLOWANCE - PLANT ACQUIRED UNDER HIRE
PURCHASE AGREEMENT

F.O.I. EMBARGO: May be released

REF

H.O. REF: 78/273 F15

DATE OF EFFECT:

B.O. REF:

DATE ORIG. MEMO ISSUED: 20.06.78

F.O.I. INDEX DETAIL

REFERENCE NO:

SUBJECT REFS:

LEGISLAT. REFS:

I 1100921

PLANT - HIRE PURCHASE
INVESTMENT ALLOWANCE

82AB(2)
82AQ(3)

FACTS

Representations were received concerning the rate of investment allowance to be applied to units of eligible property acquired under a hire purchase agreement where the property was ordered before 1 July 1978 but, because of the long lead time between ordering and delivery, the hire purchase agreement was not finalised until after 30 June 1978.

2. Advice was given initially that the 40 per cent rate of investment allowance is available in respect of plant acquired under a hire purchase agreement only if the hire purchase agreement is entered into by the hirer of the plant before 1 July 1978.

3. However, under this strict interpretation of the law, practical difficulties can arise in respect of plant for which there is a long lead time between ordering and delivery. Moreover, the terms of the hire purchase law would make it at least difficult for a formal hire purchase agreement to be entered into before the subject plant had been constructed and its final cost ascertained.

RULING

4. It was decided that plant to be acquired under a hire purchase agreement is to be accepted as qualifying for the 40 per cent rate of investment allowance where, before 1 July 1978, the prospective hirer/user, having already contracted for the acquisition of the plant with the supplier, either agrees with a financier to acquire the plant on hire purchase on completion, or initiates action that results in the financier and the supplier concluding an arrangement, again before 1 July 1978, under which the finance company will, if called upon by the prospective user of the plant, purchase it for hire, under a hire purchase agreement, to the hirer/user.

COMMISSIONER OF TAXATION