



TD 92/177 - Income tax: if the construction cost of an eligible building is greater than the sale proceeds of that building, what is the amount of the qualifying expenditure under section 124ZG of the Income Tax Assessment Act 1936 ?

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 This document has changed over time. This is a consolidated version of the ruling which was published on 29 October 1992

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, the Determination applies to transactions entered into both before and after its date of issue.

Taxation Determination

Income tax: if the construction cost of an eligible building is greater than the sale proceeds of that building, what is the amount of the qualifying expenditure under section 124ZG of the *Income Tax Assessment Act 1936*?

1. The amount of qualifying expenditure under section 124ZG is the construction cost of the eligible building.
2. Taxation Ruling IT 2640 outlines the type of expenses that may be included as part of the construction cost of an eligible building.

Example:

A builder constructs seven factory units, to be used for income producing purposes, at a cost of \$100,000 each. The builder sells six of the factory units for \$150,000 each, but is unable to sell the last factory unit due to a downturn in the property market. He therefore decides to sell the last factory unit for \$80,000. If the purchaser uses the factory solely for the purpose of producing income, the amount of qualifying expenditure is \$100,000 [Division 10D, paragraph 124ZG(1)(e), or paragraph 124ZG(2A)(e)].

Note: for the purposes of this example there is no cost attached to the land.

Commissioner of Taxation

29/10/92

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Related Determinations:

Related Rulings: IT 2640

Subject Ref: construction cost, eligible building, qualifying expenditure

Legislative Ref: ITAA 124ZG(1)(e); ITAA 124ZG(2A)(e)

Case Ref:

ATO Ref: PNR T95 Pt2

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