TD 93/159 - Income tax: if a purchase of depreciable plant comprises individual items costing $300 or less each or having an effective life of less than 3 years, can these individual items be depreciated at the rate of 100% in terms of subsection 55(2) of the Income Tax Assessment Act 1936 ?

This cover sheet is provided for information only. It does not form part of *TD 93/159 - Income tax: if a purchase of depreciable plant comprises individual items costing $300 or less each or having an effective life of less than 3 years, can these individual items be depreciated at the rate of 100% in terms of subsection 55(2) of the Income Tax Assessment Act 1936 ?*

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This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA 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, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

Income tax: if a purchase of depreciable plant comprises individual items costing $300 or less each or having an effective life of less than 3 years, can these individual items be depreciated at the rate of 100% in terms of subsection 55(2) of the *Income Tax Assessment Act 1936*?

1 Yes. Provided that the item costing $300 or less or having an effective life of less than 3 years:

(a) - is regarded as a whole,
(b) - is capable of being separately identified, and
(c) - has a separate function,

the item will be depreciated at the rate of 100% under subsection 55(2), if the taxpayer does not nominate a lower rate in terms of subsection 55(8).

2 The 100% depreciation rate only applies to depreciable plant acquired on or after 1 July 1991. Depreciation at the 100% rate is deductible in the year of income in which the depreciable plant is first used by the taxpayer for the purpose of producing assessable income or is installed ready for use for that purpose.

3. When eligible depreciable plant is acquired during the income tax year and is depreciated at the 100% rate, the taxpayer is entitled to claim the full deduction in that income tax year, provided that the plant is used solely for business purposes. If the plant is used partly for the purpose of producing assessable income and partly for private purposes, the deduction allowable is reduced by the private portion.

Example:

1. A taxpayer purchases 20 chairs at $250 each during the 1992-1993 income year which are used for the purpose of producing assessable income. Each chair satisfies the requirements set out in paragraph 1. Unless the taxpayer nominates a lower rate, the depreciation deduction allowable in the 1992-1993 income year is:

20 x $250 = $5000.

2. An apprentice purchases individual tools each costing less than $300 as part of a total tool kit during the 1992-1993 income year, which are used solely in his employment. Each tool that satisfies the requirements of paragraph 1 will be deductible in full in the year of purchase unless the taxpayer nominates a lower rate.

3. A solicitor purchases a 20 volume set of law reports for $5000 in the 1992-1993 income year which have an effective life of not less than three years. Each volume of the set does not satisfy the requirements set out in paragraph 1, as each individual volume in the set cannot be said to be a unit of property in itself. It is the 20 volume set that amounts to a unit of property.

4 A taxpayer purchases individual reference books each costing less than $300 in the 1992-1993 income year, which do not form part of a set. Each reference book satisfies the requirements of paragraph 1 and will be fully deductible in the year of purchase unless the taxpayer nominates a lower rate.

Commissioner of Taxation
12/8/93

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