# *TD 93/5 - Income tax: in which circumstances is the construction cost of an access road incurred by a person carrying on timber operations for the purpose of gaining or producing assessable income an allowable deduction?*

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This document has changed over time. This is a consolidated version of the ruling which was published on *21 January 1993*

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**This Determination, to the extent that it is capable of being a 'public ruling' in terms of PartáIVAAA 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: in which circumstances is the construction cost of an access road incurred by a person carrying on timber operations for the purpose of gaining or producing assessable income an allowable deduction?

1. Section 124E of the *Income Tax Assessment Act 1936* defines 'access road' as meaning a road (including a bridge, culvert or similar work forming part of a road) constructed primarily and principally for the purpose of providing access to an area so as to enable:

(a) the planting or tending of trees in the area; or
(b) the removal from the area of timber felled in the area;

and defines 'timber operations' as meaning:

(a) the planting or tending of trees for felling;
(b) the felling of standing timber;
(c) the removal of felled timber; or
(d) the milling or other processing of felled timber.

2. Subsection 124F(1) allows a deduction for the construction cost of an access road (as defined) incurred by a person in connection with the carrying on by him of timber operations (as defined) for the purpose of gaining or producing assessable income.

3. Under subsection 124F(2) the construction cost is deductible by equal annual instalments over the estimated period during which the access road will be used for the purpose for which it was primarily and principally constructed, or 25 years, whichever is the less.

*Example 1:*

*XYZ Pty Ltd carries on timber operations. It pays $100,000 for an access road during the year ended 30 June, 1990. It pays a further $18,000 during the year ended 30 June,1991. The road will be used in these operations for ten years.*

*Deduction allowable for the year ended 30 June, 1990 -*

$$\frac{100,000}{10} \qquad \$10,000$$

*Deduction allowable for the year ended 30 June, 1991 -*

| | |
|---|---|
| *Construction costs during the year ended 30 June, 1990* | *100,000* |
| *Construction costs during the year ended 30 June, 1991* | *18,000* |
| | *118,000* |
| *Deduction 30 June, 1990* | *10,000* |
| | *108,000* |

*Amount Deductible*

$$\frac{108,000}{9} \qquad \$12,000$$

*Example 2:*

*The company pays $100,000 for an access road during the year ended 30 June, 1991. The road will be used in the timber operations for 30 years.*

*Deduction allowable for the year ended 30 June, 1991-*

$$\frac{100,000}{25} \qquad \$4,000$$

**Commissioner of Taxation**
21/01/93

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