


IT 189 - Investment allowance - solid set irrigation system

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TAXATION RULING NO. IT 189

INVESTMENT ALLOWANCE - SOLID SET IRRIGATION SYSTEM

F.O.I. EMBARGO: May be released

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IRRIGATION SYSTEM

82AA

INVESTMENT ALLOWANCE

82AB

82AQ

PREAMBLE

Representations were made in relation to the question of whether each spray, coupling and pipe length comprised in a solid set irrigation system is to be regarded, individually, as a unit of property for investment allowance purposes. The alternative view is, of course, to accept that the system as a whole is the unit of property. The matter has been carefully examined in the light of the technical information provided.

2. The basic difficulty is, of course, that the "unit of property" concept "does not lend itself to abstract analysis" (18 TBRD Case T68; 14 CTBR(NS) Case 35). The difficulty, whilst a familiar one, has been accentuated for the day-to-day administration of the law by the intended exclusion from the concession in terms of the \$500 monetary test of relatively low-cost items of plant. It becomes a matter, then, of endeavouring to develop a practical and reasonable approach to what constitutes a unit of property, subject of course to any guidance given by relevant decisions of the courts.

RULING

3. In this context, it has been decided, on balance, that the practical and reasonable approach in the present case is to accept that capital expenditure incurred in the purchase of an integrated irrigation system known in the trade as "Solid Set" is incurred in the acquisition of a "unit of property" for purposes of the investment allowance.

4. In coming to this decision, the earlier rulings given by this office in relation to scaffolding and to tailings and effluent disposal systems, have been seen as not directly relevant on the basis of a number of points. For example, scaffolding is invariably erected as a temporary structure, the size and shape of which at any particular time would be governed by the size and stage of construction the relevant building had reached at that time : and to take the alternative view that the completed scaffolding is a unit of property would mean that the "plant" would not be installed until completed and would cease to exist as soon as it was pulled down. Unlike solid set irrigation systems, scaffolding would, it is thought, rarely be designed and sold as a system. On the other hand, it

is considered that the fact that solid set irrigation systems are designed so as to be fairly readily dismantled for transporting to another location does not preclude such systems being accepted as a unit of property. Many other plant items are, of course, dismantled and re-erected in different locations from time to time but are nevertheless clearly units of property (e.g. some types of cranes; other examples may be found among certain categories of plant specifically excluded from the investment allowance such as circus tents and other demountable equipment used at shows and carnivals).

5. The basic characteristics of a solid set irrigation system also do not seem to line-up altogether with those of the tailings and other effluent disposal systems previously considered. In that case the view expressed was, of course, directed to a type of piping system where additional lengths of pipe were continually being added or removed, or where the system was being continually extended up to a certain point of time (e.g. until the disposal pond or heap had reached maximum capacity) and then dismantled for use in a similar fashion in another location.

COMMISSIONER OF TAXATION