# *IT 21 - Income tax: installation costs of leased equipment*

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# TAXATION RULING NO. IT 21

## INCOME TAX - INSTALLATION COSTS OF LEASED EQUIPMENT

F.O.I. EMBARGO: May be released

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| F.O.I. INDEX DETAIL REFERENCE NO: | SUBJECT REFS: | LEGISLAT. REFS: |
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| I 1100774 | INSTALLATION COSTS<br>LEASED PLANT -<br>PLANT - LEASING COSTS<br>DEPRECIATION | 51(1)<br>54 |

FACTS The question of whether a deduction would be allowable for expenditure incurred in installing leased plant and machinery has been considered.

RULING 2. As a general proposition, expenditure incurred by a lessee in installing leased equipment is considered to be of a capital nature and, as such, would not be deductible for income tax purposes. In addition, no deduction would be allowable by way of depreciation in respect of such expenditure.

3. Where, however, the expenditure brings into existence separate items of plant or articles owned by the lessee-taxpayer then, provided the other requirements of section 54 of the Income Tax Assessment Act are met, depreciation would be allowable in respect of the plant and articles.

COMMISSIONER OF TAXATION