IT 2236W - Withdrawal - Income tax: plant purchased under hire purchase agreements - treatment of hire purchase charges

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Notice of Withdrawal

Taxation Ruling

Income tax: plant purchased under hire purchase agreements – treatment of hire purchase charges

Taxation Ruling IT 2236 is withdrawn with effect from today.

1. The ruling is concerned with explaining the income and depreciation consequences of plant purchased under a hire purchase agreement.

2. Arrangements of this kind are now covered by Division 240 of the *Income Tax Assessment Act 1997* (ITAA 1997). Under Division 240, hire purchase and instalment sales are treated as the equivalent of sale, loan and debt transactions, and persons who acquire goods under hire purchase or instalment sales arrangements are treated as the owners of the goods for the purpose of applying the various taxation capital allowances and relevant anti-avoidance provisions.

3. The Explanatory Memorandum (paragraph 2.6) to the *Taxation Laws Amendment (No.1) Act 2001* makes it clear that the 'measures have become necessary as taxpayers may currently obtain deductions greater than the total amounts they outlay in relation to capital expenditure under hire purchase or limited recourse debt. This occurs typically where the balance of an outstanding debt that has financed the expenditure is not paid and the financier can only recover a specific asset on the termination of the finance arrangement.'

4. IT 2236 is withdrawn in view of the operation of Division 240 of the ITAA 1997.

Commissioner of Taxation
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ATO references
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