IT 2339 - Income tax : trickle irrigation systems

This cover sheet is provided for information only. It does not form part of *IT 2339 - Income tax : trickle irrigation systems*

Generated on: 2 June 2026, 07:49:58 PM

TAXATION RULING NO. IT 2339

INCOME TAX : TRICKLE IRRIGATION SYSTEMS

F.O.I. EMBARGO: May be released

REF H.O. REF: 85/8010-3 DATE OF EFFECT:

B.O. REF: DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1209778	WATER CONVEYANCE	51(1) 75B

PREAMBLE Advice was recently sought from this Office concerning income tax deductions for expenditure on trickle irrigation systems.

FACTS 2. Trickle irrigation involves the frequent, slow application of water through an irrigation system with small outlets and is commonly used in the fruit and vegetable growing industry. There are two types of trickle irrigation systems. The more commonly used variety is made of lightweight tubing designed for use in annual crops. It rests on the surface and is usually dug into the soil each year. The alternative, which is much more costly, is made of a heavier, more substantial tubing and normally lasts for up to ten years.

RULING 3. It is accepted that expenditure on the lightweight tubing is an allowable income tax deduction under sub-section 51(1) of the Income Tax Assessment Act in the year in which the expenditure is incurred. The expenditure is in the nature of an ordinary expense of operating an orchard or vegetable growing business.

4. Expenditure on the longlasting system is more in the nature of capital expenditure. The expenditure qualifies for income tax deduction under section 75B which deals specifically with capital expenditure on conserving and conveying water for use in a business of primary production. Where the capital expenditure was incurred prior to 20 September 1985 an income tax deduction is allowable in the year in which the expenditure was incurred. Expenditure incurred on or after 20 September 1985 is deductible evenly over three years, i.e. the year in which the expenditure is incurred and the two succeeding years.

COMMISSIONER OF TAXATION
18 July 1986

<