


IT 2419 - Income tax: depreciation of trading ships purchased under hire purchase agreements

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TAXATION RULING NO. IT 2419

INCOME TAX : DEPRECIATION OF TRADING SHIPS PURCHASED
UNDER HIRE PURCHASE AGREEMENTS

F.O.I. EMBARGO: May be released

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DEPRECIATION
SPECIAL DEPRECIATION
ON TRADING SHIPS

57AM

PREAMBLE

Section 57AM of the Income Tax Assessment Act provides an income tax deduction for depreciation on eligible Australian trading ships. At the very threshold of the definition of the expression "eligible trading ship" in sub-section 57AM(4) is the reference to "a ship or new ship owned by a taxpayer".

2. This office recently considered whether a hirer of an eligible trading ship under a hire purchase agreement would be treated as an owner of the ship for the purposes of section 57AM.

RULING

3. Although a hirer is not the legal owner of property during the term of the hire purchase agreement it has been the practice of this office for many years to treat a hirer, under a hire purchase agreement, as the owner of plant for the purposes of the general depreciation provisions in the income tax law.

4. In light of this long-standing practice a hirer acquiring an eligible trading ship under a hire purchase agreement will be treated as the owner for the purposes of section 57AM.

COMMISSIONER OF TAXATION

25 June 1987