IT 242 - Income tax: depreciation on hot water installations, stoves, etc, in income producing properties

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TAXATION RULING NO. IT 242

DEPRECIATION ON HOT WATER INSTALLATIONS, STOVES, ETC, IN INCOME PRODUCING PROPERTIES

F.O.I. EMBARGO: May be released

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FACTS 1. Questions have been raised whether the decision of Taxation Board of Review No.3 in 13 TBRD Case N30; 10 CTBR(NS) Case 107 , should be regarded as over-riding a ruling from Head Office conveyed in a memorandum dated 23 February 1963, and in an addendum to ITO 1217 appended to CITCM 676. The ruling is that hot water systems installed in premises used for the purpose of producing assessable income may be treated as plant and depreciation allowed on the whole installation.

RULING 2. In brief, depreciation may be allowed in respect of the following items when used in relation to property, including residential quarters, which produces assessable income:-

(a) hot water systems,

(b) bath heaters and slow combustion stoves which incorporate a hot water device,

(c) cupboards and the like which are capable of ready removal and repositioning,

(d) (i) "Warm Ray", "Wonderheat" and similar heating units,

(ii) gas and electric stoves and fires,

(iii) gas coppers,

where the degree of attachment to the building does not have the character of permanence.

3. On the other hand, depreciation should not be allowed in respect of items having the character of essential building fixtures such as sinks, baths, troughs and similar plumbing fixtures and fittings, built-in fire stoves, built-in cupboards and rotary clothes hoists.

4. It has been decided that these rulings should not be disturbed and, where the Board of Review decision in Case N30 and Case 107 is in conflict with them the decision, to that extent, should not be given general application. With due respect to the Board, it is thought that the reasons stated for disallowing depreciation deductions for stoves and hot water installations are not sufficiently cogent to warrant a variation of established departmental practice in this regard.

COMMISSIONER OF TAXATION