IT 251 - Deduction for VHF radio-telephone expenditure

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TAXATION RULING NO. IT 251

DEDUCTION FOR VHF RADIO-TELEPHONE EXPENDITURE

F.O.I. EMBARGO: May be released

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	VHF RADIO-TELEPHONE	
	PRIMARY PRODUCER	

FACTS 1. The question has been raised whether capital expenditure incurred by primary producers for the connection by Telecom Australia of a VHF radio-telephone exchange service is deductible over a ten year period as provided in section 70 of the Income Tax Assessment Act 1936.

2. Telecom Australia has advised that VHF radio-telephone exchange services are provided in remote areas where it is not practical, either because of physical or economic reasons, to use a conventional land-line. The service in question involves the installation of a radio-telephone in the subscriber's premises and the allocation of a narrow band radio frequency which connects the subscriber to the appropriate exchange. The once only contribution required by Telecom for the service is $160 per 1/2km or part thereof beyond 16km for an automatic exchange or beyond 8km for a manual exchange. A subscriber is permitted to pay the contribution in one sum or by instalments over three years. In the latter event interest is charged at the Telecom loan rate. Alternatively, the subscriber may pay a special rental of $500 per annum in which case no contribution or connection fee is necessary.

RULING 3. So far as section 70 is concerned the sole question for decision is whether the expression "telephone line" appearing therein refers solely to a conventional land-line or whether it is wide enough to embrace a VHF radio-telephone exchange service. There is nothing in the history of the legislation to suggest that the expression is to be restricted to a conventional land-line. CITCM 835, page 3, states, for example, that deductions are to be allowed in equal instalments over 10 years for the cost of extending telephone services to land used in a business of primary production. Encyclopaedia Britannica, in its reference to telephone lines, states that telephone circuits are furnished principally by wire lines although radio is used to a considerable extent.

4. In the circumstances, it is accepted that expenditure of a capital nature incurred in extending a VHF radio system to land upon which a business of primary production is being carried on would, to the extent that the expenditure is not

otherwise deductible, be deductible over a 10 year period in accordance with section 70.

5. Where a subscriber elects to pay the contribution fee by way of instalments, the total capital amount to be paid would be accepted as having been incurred when the subscriber contracted to pay for the service. The deduction allowable under section 70 would, therefore, be one-tenth of the cost in the year incurred and the remainder would be deductible in equal instalments in each of the following nine years. Where interest is charged on the unpaid balance, the interest payment would, of course, qualify for deduction under section 51(1) in the year incurred.

COMMISSIONER OF TAXATION