

# ***IT 2537 - Income tax: deductibility of expenditure incurred by apprentices in acquiring tools of trade***



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TAXATION RULING NO. IT 2537

INCOME TAX : DEDUCTIBILITY OF EXPENDITURE  
INCURRED BY APPRENTICES IN ACQUIRING TOOLS OF TRADE

F.O.I. EMBARGO: May be released

REF N.O. REF: 88/6103-0 DATE OF EFFECT: Immediate

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F.O.I. INDEX DETAIL

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PREAMBLE Some confusion appears to have arisen as to the proper tax treatment of the cost of tools of trade bought by apprentices. In particular, the question has been asked whether apprentices can claim the full cost of their tools of trade in the financial year that they are bought or whether the depreciation provisions apply.

2. Nowadays, an apprentice will often have to purchase a large number and variety of tools for use in the course of the apprenticeship. These will include loose tools such as hammers, wrenches, chisels, etc., and hand operated power tools such as drills, circular saws etc. The overall cost will often amount to thousands of dollars.

3. In the normal course of events tools of trade bought by an apprentice will be used for a number of years.

4. The purpose of this Ruling is to clarify the position so that apprentices will be able to work out the right amount to claim in their tax returns.

RULING 5. The purchase price of tools of trade bought by apprentices is an expenditure of a capital nature and the full cost is not deductible in the financial year in which the tools are bought.

6. However, part of the original cost is deductible as depreciation each year over the life of the tools. The annual rates of depreciation applicable to various items and various industries are set out in Income Tax Order 1217. For some items apprentices have the option of claiming the cost of replacements. These are also set out in Income Tax Order 1217. Local branches of the Taxation Office will be able to advise on particular rates.

7. Where a depreciation rate has not been set, application can be made through the local branch for a rate to be set.

8. It should be remembered that, under the statutory substantiation rules, apprentices should keep all receipts for tools they buy so that any questions that the Taxation Office might ask can be quickly resolved.

COMMISSIONER OF TAXATION

1 June 1989