

IT 2550W - Withdrawal - Income tax: assessability of profits made on the disposal of depreciated plant



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Notice of Withdrawal

Taxation Ruling

Income tax: assessability of profits made on the disposal of depreciated plant

Taxation Ruling IT 2550 is withdrawn with effect from today.

1. Taxation Ruling IT 2550, which issued on 10 August 1998, deals with the tax treatment of 'profits' derived from the sale of depreciated property. The 'profits' in these cases represent the amount by which consideration received in respect of the disposal of depreciated plant exceed the cost price of the plant. IT 2550 states that 'in general, where the sale of depreciated equipment forms part of the ordinary course of the taxpayer's business, the amount of profit (in excess of the balancing charge) should be included in assessable income under section 25(1)'.¹
2. Assessable income is now dealt with in Division 6 of the *Income Tax Assessment Act 1997* (ITAA 1997). Generally, if an amount is included in assessable income as a balancing adjustment amount or a capital gain, the amount cannot also be included in assessable income as ordinary income (section 6-25 of the ITAA 1997).
3. Balancing adjustments are now covered by Subdivision 40-D of the ITAA 1997. Under this Subdivision a balancing adjustment amount is generally the difference between a depreciating asset's termination value (such as the proceeds on sale) and its adjustable value at the time it was sold.
4. As the legislation dealt with in IT 2550 no longer applies, the Ruling is accordingly withdrawn.

Commissioner of Taxation

15 December 2004

ATO references

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¹ See paragraph 33 of Taxation Ruling IT 2550.