

IT 351 - Certain expenditure on land used for primary production

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TAXATION RULING NO. IT 351

CERTAIN EXPENDITURE ON LAND USED FOR PRIMARY PRODUCTION

F.O.I. EMBARGO: May be released

REF

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REFERENCE NO:

SUBJECT REFS:

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PRIMARY PRODUCTION
SOIL CONSERVATION
FLOOD PREVENTION
DRAINAGE CONTROL
LEVEE BANKS

75A(1)(g)
75D

PREAMBLE

Consideration has been given as to the extent to which expenditure incurred on primary production land in connection with various forms of flood prevention or mitigation work may qualify for immediate deduction.

RULING

2. As a general proposition, expenditure incurred in combating flooding on land used for primary production is deductible under paragraph 75A(1)(g) in equal annual instalments over 10 years. However, the qualification to paragraph (g) excludes from the scope of the section expenditure which is deductible under section 75D in respect of the construction or extending levee banks and similar improvements as well as surface or sub-surface drainage works.

3. Section 75D provides an immediate deduction for capital expenditure incurred by a primary producer on a wide range of soil conservation and other measures. Paragraphs (e) and (f) of sub-section 75D(1) bring within the scope of expenditure eligible for immediate deduction the cost of constructing or extending levee banks and similar improvements as well as surface or sub-surface drainage work for the assistance of drainage control, subject to the proviso that the expenditure is not for the draining of swamp or low-lying land.

4. It is considered that expenditure on the construction of levee banks and similar improvements constructed on primary production land is deductible under paragraph 75D(1)(e), whether for flood prevention or mitigation purposes, soil conservation, land reclamation or other purposes connected with the use of land for primary production.

5. Paragraph (f) of section 75D, which refers to capital expenditure incurred in an operation consisting of the construction of surface drainage works or sub-surface drainage works, is also considered to apply to a wide range of flood prevention or mitigation work. The sinking of drainage bores and the laying of surface or sub-surface piping in the course of

constructing floodwater drainage work would, for example, come within the scope of the section. Such items, being within the extended definition of "plant" under paragraph 54(2)(b), would not be excluded from section 75D by virtue of sub-section 75D(3). Expenditure on items that are plant or articles by ordinary concepts or on an operation which can properly be described as the preparation of land for agriculture (such as the initial grading of irrigation land), is not deductible under section 75D.

COMMISSIONER OF TAXATION