

IT 63 - Investment allowance - reticulation systems



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TAXATION RULING NO. IT 63

INVESTMENT ALLOWANCE - RETICULATION SYSTEMS

F.O.I. EMBARGO: May be released

REF

N.O. REF: 77/3518 F19

DATE OF EFFECT:

B.O. REF:

DATE ORIG. MEMO ISSUED: 09.03.78

F.O.I. INDEX DETAIL

REFERENCE NO:

SUBJECT REFS:

LEGISLAT. REFS:

I 1100139

RETICULATION SYSTEM
INVESTMENT ALLOWANCE
MINING INDUSTRY

82AA
82AB

PREAMBLE

Representations were made concerning whether certain reticulation systems would be treated as units of eligible property for investment allowance purposes.

RULING

UNIT OF PROPERTY

Electrical

2. Transformers, switchgear and starters would be treated as units of eligible property for investment allowance purposes. The cost of new cabling necessary for the installation and operation of electrical systems which also qualify as eligible expenditure, is to be allocated as appropriate to the relevant units of property, e.g., cabling connecting a number of individual units to a central unit would be treated as part of the individual units rather than as part of the central unit. Cabling which cannot be reasonably allocated to an individual unit, will be treated as a unit of property. Light fittings are specifically excluded from investment allowance unless installed in areas which provide amenities or meals for employees or care of employees' children.

Water

3. Pumps used in the reticulation of water would be regarded as separate units of property while piping and valves would be treated collectively as a unit of property. The laying of pipes underground would not render them ineligible for the investment allowance although the cost of associated earthworks would not qualify.

4. Individual metal tanks performing a plant function as part, for example, of a manufacturing process, and not forming part of a building would not be excluded from the allowance as structural improvements, whether located above or below ground. Whether or not a tank performs a plant function is a question of fact that could only be answered by considering the particular functions of the tank concerned.

5. The same comments apply in relation to piping and pumps as for water reticulation.

6. The compressor unit would be treated as an eligible unit of property while the piping, valves and outlet fittings would collectively be regarded as a unit of property.

Telephone and Internal Communication

7. The switchboard and each hand set would be regarded as separate units of property; cabling connecting a hand-set to the switchboard would be treated as part of the hand set. Cabling which is not capable of identification with a particular unit of property in the system would be treated itself as a unit of property.

Fire Systems

8. Fire alarm systems and sprinkler systems would each be regarded as units of eligible property. In a large fire fighting system the valves, take-off valves, hydrants and piping would be regarded as one unit while the pumps would be regarded as separate units.

Trailings and Other Effluent Disposal

9. Pumps would be regarded as individual units of property, while a permanent pipe line would generally constitute another. Where, however, the system is one where additional lengths of pipe are continually being added or removed or where after a time the pipe is dismantled and relocated in a new area it is considered that each length of pipe should be treated as a separate unit of property. If it were established, on the other hand, that the made up pipeline was a functionally complete unit that could not operate without any one or more of its component parts, the whole pipeline would constitute a separate unit of property.

Exhaust Fume Disposal

10. Chimney stacks used solely for the purpose of discharging fumes and smoke would not be eligible for the investment allowance. However, a chimney stack performing a positive plant function such as the control of drafts to blast furnaces or the collection, treatment and disposal of noxious gases would qualify provided it was not excluded as a structural improvement. In this context, any chimney which forms an integral part of a building would be excluded as a structural improvement. So too would a chimney constructed of concrete, brick or masonry. The steel section of a concrete and steel chimney may qualify if the steel section performs a positive plant function. Chimney footings and foundations would not qualify for the allowance.

11. Pollution monitoring and control equipment or other plant such as fans installed in chimneys would generally qualify for

the allowance.

EXTENSIONS V INITIAL SYSTEM

12. Major extensions would generally qualify on the same basis as the initial systems. Details would need to be considered before a firm view could be expressed in relation to any particular system. Expenditure on new items which are in the nature of repairs to, or replacements of, existing equipment would not qualify for the allowance.

COMMISSIONER OF TAXATION