



***TD 92/131 - Income tax: property development: are tender costs to be included in the 'estimated profits basis' calculation under Taxation Ruling IT 2450 and spread over the life of a long-term construction contract, or are they deductible under subsection 51(1) of the Income Tax Assessment Act 1936 in the year in which they are incurred?***

 This cover sheet is provided for information only. It does not form part of *TD 92/131 - Income tax: property development: are tender costs to be included in the 'estimated profits basis' calculation under Taxation Ruling IT 2450 and spread over the life of a long-term construction contract, or are they deductible under subsection 51(1) of the Income Tax Assessment Act 1936 in the year in which they are incurred?*

 This document has changed over time. This is a consolidated version of the ruling which was published on *30 July 1992*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, the Determination applies to transactions entered into both before and after its date of issue.

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## Taxation Determination

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**Income tax: property development: are tender costs to be included in the 'estimated profits basis' calculation under Taxation Ruling IT 2450 and spread over the life of a long-term construction contract, or are they deductible under subsection 51(1) of the *Income Tax Assessment Act 1936* in the year in which they are incurred?**

1. Tender costs are not taken into account for the purposes of the 'estimated profits basis'. They may be deductible under subsection 51(1) of the *Income Tax Assessment Act 1936* (the Act) in the year in which they are incurred.
2. Paragraphs 25 and 26 of Taxation Ruling IT 2450 make it clear that the estimated profits basis spreads 'ultimate profit and loss' over the time taken to complete a contract. Although tender costs are attributable to the construction contract, they are severable from it, occurring at a time before the beginning of the life of the contract.

*Example:*

*A contractor incurs tender costs in the year ended 30 June 19X1 and commences work under the contract in the year ended 30 June 19X2. Subject to the provisions of the Act, the tender costs are deductible in the year ended 30 June 19X1.*

**Commissioner of Taxation**

30/07/92

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FOI INDEX DETAIL: Reference No. I1213008

Related Rulings: IT 2450

Subject Ref: long-term construction contracts; estimated profits basis; deductibility of tender costs

Legislative Ref: ITAA s 51(1)

ATO Ref: PD/15.A

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