



TD 93/105 - Income tax: property development: is voluntary demolition of a building 'destruction' for the purposes of section 124ZK of the Income Tax Assessment Act 1936?

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 This document has changed over time. This is a consolidated version of the ruling which was published on *17 June 1993*

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, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

Income tax: property development: is voluntary demolition of a building 'destruction' for the purposes of section 124ZK of the *Income Tax Assessment Act 1936*?

1. Yes. Although there is no definition of 'destruction' or 'destroy' in the legislation, the Explanatory Memorandum to the *Income Tax Assessment Amendment Act 1983* makes it clear that a deduction under section 124ZK is allowable in respect of both voluntary destruction (demolition) and involuntary destruction (e.g. loss by fire) of the premises concerned.
2. The amount allowable as a deduction under section 124ZK is the residual capital expenditure, reduced by the excess of any insurance and salvage recoveries over demolition costs.

Example

B Pty Ltd (B) owns and operates a department store. In 1988, B incurred qualifying Division 10D expenditure on refurbishing and refitting the store. In 1992 B decides to refurbish to create a new image for the store. B entirely removes, scraps and replaces all fixtures and fittings, including the 1988 Division 10D improvements. A deduction is allowable for the residual capital expenditure incurred in 1988, reduced by the excess of any amount of salvage recoveries over demolition costs.

Commissioner of Taxation

17/06/93

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