TD 92/D216 - Income tax : Division 10AAA Mineral Transport Expenditure : use of road primarily and principally for the transport of minerals. On what basis is this determined?

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This document has been finalised by <u>TD 93/53</u>.

Taxation Determination TD 92/D216

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Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

Draft Taxation Determination

Income tax: Division 10AAA Mineral Transport Expenditure: use of road primarily and principally for the transport of minerals. On what basis is this determined?

- 1. It is recognized that in general road usage there is substantially more wear on the road as a result of heavy vehicles than for normal motor vehicles with road construction being predominantly based on an 'equivalent standard axle rate'.
- 2. Consequently, it is inappropriate to use a physical count of vehicles as the only basis in determining a 'use primarily and principally for the transport of minerals' as stipulated in section 123A.
- 3. In addition, varying types of vehicles may use the road. This suggests that a more appropriate result could be achieved by a requirement that more than 50% of the overall weight of vehicles using the road relates to mineral transport.
- 4. Bearing in mind that
- (i) usage is generally considered in terms of numbers;
- (ii) physical wear to the roads is considered greater for heavy haulage trucks;

and

- (iii) that vehicles other than mineral haulage trucks could also include heavy transport vehicles,
- it has been decided that to meet the requirement of 'use primarily and principally for the transport of minerals', the taxpayer should, over the income year, satisfy two criteria -
- (a) the overall weight of vehicles using the road for transport of minerals obtained from carrying on prescribed mining operations has exceeded 50% of the total overall weight of vehicles using the road.

and

- (b) the number of vehicles using the road for the above purpose has exceeded 25% of the total number of vehicles using the road.
- 5. The above usage tests may be applied independently to the different road sections involved in respect of the transport of minerals obtained from carrying on prescribed mining operations.
- 6. For purposes of the above criteria, a recognised statistical sampling method would be acceptable which should take into account seasonal variations in usage rates.

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