# *IT 108 - Investment allowance - structural improvements and floor insulation of a freezer complex*

This cover sheet is provided for information only. It does not form part of *IT 108 - Investment allowance - structural improvements and floor insulation of a freezer complex*

This document has been Withdrawn.
There is a Withdrawal notice for this document.

# TAXATION RULING NO. IT 108

## INVESTMENT ALLOWANCE - STRUCTURAL IMPROVEMENTS AND FLOOR INSULATION OF A FREEZER COMPLEX

F.O.I. EMBARGO: May be released

REF H.O. REF: 77/3689 F67 DATE OF EFFECT:

B.O. REF: DATE ORIG. MEMO ISSUED: 31.05.79

| F.O.I. INDEX DETAIL REFERENCE NO: | SUBJECT REFS: | LEGISLAT. REFS: |
|---|---|---|
| I 1101099 | INVESTMENT ALLOWANCE | 54 |
| | DEPRECIATION | 55 |
| | FREEZER COMPLEX | 82AE |
| | FLOOR INSULATION | 82AA |

OTHER RULINGS ON TOPIC IT 31

PREAMBLE The following advice was given concerning the application of the investment allowance and deprecition provisions to various components of a factory complex of a frozen food processor.

RULING 2. Subject to compliance with certain conditions that are specified in the relevant provisions, the investment allowance is available for units of property of the kind to which income tax depreciation allowances apply. However, some items of otherwise eligible plant may fail to qualify for the investment allowance because they are structural improvements of a kind excluded from the allowance by section 82AE of the Income Tax Assessment Act.

3. Compliance with the general conditions of the allowance will depend upon events. The purpose of this advice is to indicate the various items of capital expenditure that might be regarded as eligible for the investment allowance, having particular regard to the operation of section 82AE in relation to the construction of factory complexes of types presently being constructed for the storage and handling of frozen foods.

4. The view is taken of section 82AE that, apart from specified expenditures on the construction of certain structural and other improvements, such as on - farm buildings or plumbing fixtures used for purposes specified in the provision, the only capital expenditures within the scope of the allowance are those that are incurred in the acquisition of property comprised of depreciable plant, machinery or other articles.

5. While depreciation allowances may be allowable for income tax purposes in respect of the capital cost of laying down foundations or strengthening buildings because the particular structures are essential for the operation of plant and machinery integrally attached to them, those expenditures would not also attract the investment allowance deduction. The

relevant provisions are seen as limiting the investment allowance to expenditures made in respect of the acquisition, etc. of plant items but not to associated buildings or structures.

6. At the same time the view is not taken that section 82AE applies generally to exclude from the investment allowance expenditures incurred in the construction, etc. of plant constituted wholly or in part of structures, whether or not those plant structures are affixed to the land.

7. While a structure performing a wholly plant function could be treated on this view as a unit of depreciable plant that is eligible for the investment allowance, buildings and structures or significant parts of structures whose function is to house or support plant and machinery or to provide a shelter or setting in which plant and machinery is operated would not be regarded as eligible for the investment allowance. Moreover, expenditure on a plant structure considered eligible for the investment allowance would not, as a general rule, include the cost of the foundations, footings and floor of such a structure.

8. On the view taken of section 82AE it appears, as is indicated in the itemised comments below addressed to the components of a factory complex, that the major part of expenditures would be eligible for the investment allowance.

Refrigerated cold store in the raw materials store

Eligible : Insulating wall and ceiling panels and doors, refrigeration plant and associated piping and ducting.
No details are available concerning internal racking - this would be treated as eligible if of a type similar to that installed in the freezer.

Ineligible : Floor and masonry walls.

Interior suspended insulation ceiling over production area

Eligible : Air-conditioning pipes, ducts and equipment, extractor fans and other items of plant mounted on top of this ceiling.

Ineligible : The ceiling would be treated as part of the building providing support for plant, and therefore ineligible.

Freezer

Eligible : Outer steel framework, insulating panels forming walls and ceiling, internal racking, stacker cranes and rails, insulation and floor coating, underfloor heating and drainage pipes.

Ineligible : Floor and protective roof (and steel purlins to

which the roof is to be attached), concrete piers and concrete slab of the foundations and normal flooring.

Steel flour silos

Eligible, except for concrete bases.

Mezzanine platform

Ineligible : The platform would be treated as part of the building providing support for plant and therefore ineligible.

9. The items for which the investment allowance was considered available were accepted as plant for depreciation purposes and those parts of the freezer complex not specifically covered by ITO No.1217 were accepted on the basis of an effective life of twenty years.

COMMISSIONER OF TAXATION