


# ***IT 148 - Income tax: depreciation on road transport vehicles***

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TAXATION RULING NO. IT 148

DEPRECIATION ON ROAD TRANSPORT VEHICLES

F.O.I. EMBARGO: May be released

REF

H.O. REF: 68/2974

DATE OF EFFECT:

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SUBJECT REFS:

LEGISLAT. REFS:

I 1101860

ROAD TRANSPORT  
DEPRECIATION

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FACTS

Representations were received from a large transport operating company for approval to vary the method of depreciating road transport vehicles.

2. The change sought envisaged, for accounting purposes, the separation of the value of the motor vehicle and the tyres and tubes which are debited to a separate tyre asset account. The motor vehicle is then depreciated at the normal rate on the reduced cost.

3. All tyre and tube purchases and costs are debited to the tyre asset account. The entire stock of tyres is also brought to account here, those unused at cost and those used and on vehicles at cost less depreciation of 50%.

4. The balance of this account at the end of the year accounts for usage and gains or losses on sales and scrappings and is debited to the Profit and Loss Account. An equivalent credit is made to the Provision for Depreciation Account and this amount is also charged for taxation purposes. The system reflects the basis of costing employed by companies engaged in the road transport industry which charge tyres on a mileage basis and take all tyres into account.

RULING

5. The company was advised that deductions for tyres and tubes would be allowed in the manner sought.

6. Claims of this nature made by road transport operators in similar circumstances may also be conceded.

COMMISSIONER OF TAXATION