


IT 213 - Residual values for livestock leasing

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TAXATION RULING NO. IT 213

RESIDUAL VALUES FOR LIVESTOCK LEASING

F.O.I. EMBARGO: May be released

REF

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F.O.I. INDEX DETAIL

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I 1102579	LIVESTOCK	51(1)
	LEASING	
	RESIDUAL VALUE	

PREAMBLE Consideration was given to the matter of residual values for leased livestock which would be acceptable for income for purposes.

RULING 2. Given the number of contingencies that could affect the values of leased animals at any time, there is considerable difficulty in determining the appropriate residuals. In the event, the primary consideration is whether rentals payable under a lease are deductible for income tax purposes and, in this respect, the matters to be taken into account include the residual values specified in lease agreements.

3. It has been the practice to accept lease rentals payable under a normal commercial lease where, among other things, residual values are not unrealistic in a commercial sense or merely nominal. It has been decided that, in the generality of cases, if the agreements for the lease of livestock specify residual values within the limits set out in the following table, deductions for lease rentals payable under the lease would not be challenged on the grounds that the residual values leave open a presumption that the lease is not an ordinary commercial lease.

Year 1	65% - 80%
Year 2	45% - 60%
Year 3	25% - 40%
Year 4	15% - 25%
Year 5	1% - 15%

4. It may be that special cases could arise where the above residuals would not be appropriate. Such cases can be considered on the basis of their own facts as they arise.

COMMISSIONER OF TAXATION