IT 252 - Deduction for cost of electricity extension

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There is an Addendum notice for this document.

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TAXATION RULING NO. IT 252

DEDUCTION FOR COST OF ELECTRICITY EXTENSION

F.O.I. EMBARGO: May be released

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F.O.I. INDEX DETAIL REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1070398	ELECTRICITY EXTENSION	75B
	MAINS ELECTRICITY CONNECTION	70A
	WATER CONSERVATION	
	PRIMARY PRODUCER	

FACTS Consideration has been given to whether the cost of an electricity extension for the purposes of operating plant used for the purpose of conserving or conveying water on a primary production property would be eligible for deduction under Section 75B of the Income Tax Assessment Act 1936.

RULING Under section 75B, immediate deductibility is conferred on capital expenditure incurred by a taxpayer carrying on a business of primary production on land in Australia, on the acquisition, construction or installation of plant or a structural improvement, or an extension thereto, for the purpose of conserving or conveying water for use in that business. Expenditures of this kind qualify for immediate deductibility where they are incurred on or after 14 April 1980 under a contract entered into on or after that date or where construction or installation by the taxpayer commenced on or after that date.

The concession would extend to the cost of constructing a power line from an existing mains electricity connection on a primary production property to plant used for the purpose of conserving or conveying water. For example, capital expenditure incurred by a primary producer in running power lines from an existing switchboard to an electric irrigation pump would qualify for immediate deductibility.

However, the concession conferred by section 75B does not extend to capital costs incurred in connecting mains electricity to a primary production property, even where the connection was related to water conservation or conveyance. This would be the case whether the expenditure related to the initial connection of mains electricity to the property, to upgrading an existing connection or to the provision of a secondary connection to the property. Such expenditure may now be deductible under section 70A if incurred on or after 1 October 1980 where the connection or upgrading is to a property upon which a business is carried on.

COMMISSIONER OF TAXATION