

IT 57 - Investment allowance - industrial storage racking



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TAXATION RULING NO. IT 57

INVESTMENT ALLOWANCE - INDUSTRIAL STORAGE RACKING.

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INDUSTRIAL STORAGE

82AB

RACKING

82AF(1) (b)

STORAGE RACKING

INVESTMENT ALLOWANCE

PREAMBLE

The eligibility for the investment allowance of industrial storage racking has been considered.

RULING

2. Except where the components of a system are used to make up office shelving or retail display units, industrial storage racking is accepted as being eligible for investment allowance purposes and not excluded by the operation of section 82AF(1) (b).

3. While it is acknowledged that racking systems are capable of being dismantled and reassembled, that fact alone is not sufficient reason to regard racking as being similar in nature to scaffolding. Whereas scaffolding is essentially a temporary structure intended to be dismantled and relocated from time to time, it is thought that the racking in question would generally be planned and used as a long-term installation. Accordingly, each component of a racking system should not be treated as a unit of property but rather each new complete installation should be treated as a separate unit.

4. Plant items operated in conjunction with the racking systems, e.g. stacker cranes, fork-lifts, computer control modules, etc., would be regarded as additional, individual units. Pallets manufactured for use with the systems are also regarded as individual units of property.

5. Where an existing racking system is extended, for example by the addition of an extra aisle and storage bay, it is considered that the cost of the extension, if in excess of \$500, would qualify for investment allowance deduction. A minor extension to lengthen an existing bay, however, may not satisfy the unit of property test.

6. In any case where a racking system constitutes part of the structure of a storage building (i.e. where the racking supports the roof and outer walls), it is not accepted that the walls, roof or floor of such a building are eligible for the investment allowance. They would be excluded as structural

improvements. The racking itself would not, of course, be excluded.

COMMISSIONER OF TAXATION