


TD 92/D200 - Income tax: once commissioned plant has been handed over to its owner, is the expenditure incurred by a company in bringing the said plant into a fully operational state, deductible under subsection 51(1)?

 This cover sheet is provided for information only. It does not form part of *TD 92/D200 - Income tax: once commissioned plant has been handed over to its owner, is the expenditure incurred by a company in bringing the said plant into a fully operational state, deductible under subsection 51(1)?*

This document has been finalised by TD 93/126.

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

Draft Taxation Determination

Income tax: once commissioned plant has been handed over to its owner, is the expenditure incurred by a company in bringing the said plant into a fully operational state, deductible under subsection 51(1)?

1. Yes. When completed plant is handed over to its owner in an operational state, the cost of bringing the plant into full operation would be revenue expenditure, deductible in the year incurred.
2. It is accepted that bringing plant into full operation may involve periods of testing, fine tuning etc. This "Switching On" process may even involve each subsidiary stage being tested and operated progressively to the point where the whole installation is functioning, albeit at something less than 100%. Costs incurred in this process would generally qualify as allowable deductions.
3. The situation would be considered different however, where plant which has been handed over by the construction contractor, has not reached an operational state or where deficiencies in design or operation emerge. Additions or modifications to new plant in these circumstances would be considered to be of a capital nature and would become part of the capital construction costs of the plant.

Commissioner of Taxation
12/11/92

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Related Rulings: IT 2197
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