


# ***TD 93/D157 - Income tax: is a lease acceptable if it is based on a \$1 residual value?***

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This document has been finalised by TD 94/20.

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.

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## Draft Taxation Determination

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### **Income tax: is a lease acceptable if it is based on a \$1 residual value?**

1. No. The residual value of a leased item should either conform with the table of minimum residual values set out in IT 28 or a well considered estimate of the market value of the leased item at the end of the lease.
2. A \$1 residual value would only conform to this test if the market value of the asset was \$1, indicating that the term of the lease was the effective life of the asset. A lease for the substantial life of an asset is not accepted as a genuine lease (see IT 2594).

**Commissioner of Taxation**

17/6/93

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FOI INDEX DETAIL: Reference No.

Related Determinations:

Related Rulings: IT 28

Subject Ref: leasing; residual values

Legislative Ref:

Case Ref:

ATO Ref: NO 93/195-1

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