

IT 2036 - Investment allowance : structural improvements used in primary production - controlled environment broiler units

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TAXATION RULING NO. IT 2036

INVESTMENT ALLOWANCE : STRUCTURAL IMPROVEMENTS USED IN
PRIMARY PRODUCTION - CONTROLLED ENVIRONMENT BROILER
UNITS

F.O.I. EMBARGO: May be released

REF H.O. REF: J153/119/10 P16 F158 DATE OF EFFECT:

B.O. REF: Sydney - 27/B2/AF.3526B/14 of 28 July 1981
Parramatta - T.82AA - AQ/1/1 of 11 August 1981
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Brisbane - 4/COR 1919/4 of 24 November 1981
Adelaide - C82 AA-AQ/1/1 P10 of 12 June 1981
Perth - J10/151 of 29 July 1981
Hobart - 3X/H3/1/5 of 24 July 1981
A.C.T. - 01/AC64 of 27 July 1981

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1104255	INVESTMENT ALLOWANCE PRIMARY PRODUCTION POULTRY INDUSTRY STRUCTURAL IMPROVEMENTS CONTROLLED ENVIRONMENT BROILER UNITS	82AE

FACTS

A memorandum from this office dated 30 April 1981 dealt with the eligibility for investment allowance deduction of expenditure on plant structures in the manufacturing, industrial and mining areas. The need for the memorandum arose out of the difficulties that were being encountered in the application of the investment allowance deduction provisions to units of property which, although they may have the appearance of structural improvements, were in essence items of plant.

2. The memorandum stated that it is not the view of this office that section 82AE operates generally to exclude from the investment allowance deduction expenditure incurred in the construction of plant comprised wholly or in part of structures whether or not the plant structures are affixed to the land.

3. The question has arisen recently whether, and the extent to which, the principles set out in the memorandum apply in the area of primary production. The question has arisen in the context of the eligibility for investment allowance deductions for expenditure on units of property termed controlled environment broiler units used in the poultry farming industry.

4. The units are not of precisely the same design and construction throughout Australia. Basically, they consist of a shed constructed from metal cladding affixed to a timber/ steel framework set in concrete. The outer surface of the cladding is

painted with a heat reflectant and the interior is lined with some form of insulation material. Natural ventilation is provided by adjustable wall and ridge shutters and in some cases there is a controlled vent roof. Fans are sometimes affixed to the cladding or located inside the shed to assist in the circulation of air.

5. The units used in the poultry farming industry bear a close resemblance to controlled environment structures used in other areas of primary production, e.g. glasshouses and tobacco curing barns.

RULING

6. The extent to which the investment allowance deduction applies to expenditure on structural improvements for use in a business of primary production is governed by section 82AE. There is a general exclusion of expenditure on structural improvements on land used for the purpose of carrying on a business of primary production other than on the structural improvements enumerated in section 82AE(b).

7. In the application of section 82AE it is not necessary to determine whether a unit of property represents an item of plant independently of being a structural improvement. The categories are not mutually exclusive. If a unit of property on land used for the purpose of carrying on a business of primary production is a structural improvement, expenditure on its construction, etc. will not qualify for an investment allowance deduction unless the structural improvement is one referred to in section 82AE(b).

8. In giving effect to section 82AE this office must have regard to the legislative intent behind the enactment of the provision. It emerges clearly that farm buildings were considered to be structural improvements and that expenditure on them was generally to be excluded from the investment allowance deduction. The memorandum from this office of 30 April 1981 referred to a Press Release of 26 January 1976 by the then Treasurer which indicated that, inter alia, machinery and shearing sheds and stables were to be excluded from the investment allowance deduction. Section 82AE itself recognises the legislative intent when, in para (b)(vi), it preserves the investment allowance for buildings or other structural improvements for the storage of grain, hay or fodder - these are the only farm buildings eligible for the investment allowance deduction.

9. It follows, therefore, that section 82AE would operate to exclude expenditure on controlled environment broiler units from the investment allowance deduction. Similar units in other areas of primary production would also be excluded. Inherent in this approach is recognition of the fact that for a unit of property to constitute a structural improvement, it must be in some way fixed to the land, e.g. embedded in concrete. It is understood that there are some types of tobacco curing barns which are readily transportable and which simply rest on the land without any affixation to the land. Units of property of this nature would not be excluded from the investment allowance

deduction by section 82AE.

10. The various items of equipment associated with the broiler units, e.g. lighting, heating, watering, etc. retain their separate identities as items of plant. Provided the requirements of the investment allowance provisions are otherwise met, expenditure on items of associated equipment would qualify for an investment allowance deduction.

COMMISSIONER OF TAXATION

9 May 1983