


IT 2389 - INCOME TAX : DEPRECIATION : HAIL NETTING

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TAXATION RULING NO. IT 2389

INCOME TAX : DEPRECIATION : HAIL NETTING

F.O.I. EMBARGO: May be released

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F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1210676	DEPRECIATION	54
	HAIL NETTING	55
		57AG
		57AL

FACTS

Hail netting is a synthetic net used to provide physical protection for fruit crops against severe hail damage. The net is suspended over the crops by a series of wooden poles and high tensile cables and wires. The cables are used to form the grid over which the net is hung.

2. The poles are sunk into the ground to a depth of approximately one metre to achieve the necessary support required to suspend the net. Exposure to the elements makes it necessary to use treated pine poles to prevent rotting or decay.

3. The netting is made from plastic polymers susceptible to deterioration when continually exposed to ultra violet light. The ultra violet light causes a molecular change within the polymers which makes the net brittle and, therefore, increases the likelihood of breakages. Strong ultra violet light, heavy hail and wind all reduce the effective life of the net.

4. There are two main types of netting available, a white or clear variety and a black one. The basic difference between the two is that the black net contains an ultra violet inhibitor called "carbon black" which extends the life of the net. The general practice is to leave the netting up all the time once it is installed.

RULING

5. Available information indicates that the effective life of hail netting would be approximately 10 years for black netting and 5 years for white or clear netting assuming that it is maintained in reasonably good order and condition.

6. Accordingly, annual prime cost depreciation rates of 10% and 20% for black and white netting respectively have been fixed under sub-section 55(1) of the Income Tax Assessment Act 1936. The general depreciation loading under section 57AG and the accelerated prime cost depreciation provisions of section 57AL will apply in appropriate circumstances.

7. The above rates apply to the netting itself. The support poles, wires and high tensile cables which have an effective life of up to 40 years are separately depreciable. An annual prime cost rate of 2.5% has been determined for them. Because the support structure for the hail netting is considered to be a structural improvement the poles, wires and cables are ineligible for the accelerated rates of depreciation provided by section 57AL. The general depreciation loading under section 57AG will apply in appropriate circumstances.

8. Installation costs of the poles, wires, cables and netting form part of the capital cost of each component upon which income tax deductions for depreciation are calculated.

COMMISSIONER OF TAXATION
2 April 1987