


***IT 335 - Lease of plant through associated company.
Existence of leasing company and availability of
investment allowance considered***

 This cover sheet is provided for information only. It does not form part of *IT 335 - Lease of plant through associated company. Existence of leasing company and availability of investment allowance considered*

TAXATION RULING NO. IT 335

LEASE OF PLANT THROUGH ASSOCIATED COMPANY.
EXISTENCE OF LEASING COMPANY AND AVAILABILITY OF
INVESTMENT ALLOWANCE CONSIDERED

F.O.I. EMBARGO: May be released

REF

H.O. REF: 82/3292 F5

DATE OF EFFECT:

B.O. REF:

DATE ORIG. MEMO ISSUED: 16.03.82

F.O.I. INDEX DETAIL

REFERENCE NO:

SUBJECT REFS:

I 1071109

LEASING COMPANIES
INVESTMENT ALLOWANCE -
LEASED PLANT

FACTS

This office was requested to confirm that a 'Leasing Company' exists and that no objections arise where no profit or loss occurs in lease agreements entered into between interrelated companies in a specific fact case.

2. The arrangement concerned a company (X Ltd) entering into a financial arrangement whereby an associate company (Y Pty Ltd) would be incorporated to purchase plant and then lease the plant to X Ltd.

3. The basic elements of the proposed transaction are:

1. Y Pty Ltd, nominally owned 50% by X Ltd and 50% by an unrelated company, would be the borrowing vehicle and would own the project plant.
2. Y Pty Ltd would then lease the plant to X Ltd at a lease rental equal to interest expense and depreciation deductions, resulting in a break-even position in Y Pty Ltd.

RULING

4. It was confirmed that, if the proposals were put into effect as proposed, the associated company would qualify as a leasing company for the purposes of the investment allowance provisions and that no objection would be taken to the lease rentals payable by (X Ltd) being structured on the basis proposed.

COMMISSIONER OF TAXATION