Date Introduced: 1 May 1980
House: House of Representatives
Presented by: The Hon. Eric Robinson, M.P., Acting Treasurer

Short Digest of Bill

Purpose

To allow full deductibility in the year of incurrence of capital expenditures by primary producers on plant or structural improvements in order to conserve or convey water for use in a business of primary production.

Background

The Bill is consequent upon the Prime Minister's announcement on 14 April 1980 of measures to assist primary producers in improvement of water supplies.

Under the present law, expenditures on plant for which depreciation allowances are available are deductible as depreciation allowances over the estimated life of the plant, or otherwise over a period of 10 years. By providing a much more rapid write-off for tax purposes, the Government is seeking to encourage primary producers to increase their capacity to withstand drought.

Expenditure which presently attracts the 20 per cent investment allowance will continue to do so and the Bill will not affect any entitlement to the 40 per cent allowance for energy conversion. (In these circumstances, the conversion allowance takes the place of the investment allowance that would otherwise be available).

The Bill also contains provisions to prevent unintended exploitation of the new deduction.

Main Provisions

Clause 5 inserts a new s.75B in the Income Tax Assessment Act 1936 to allow as a full deduction in the year in which it is incurred capital expenditure on the construction, acquisition or installation of plant (or an extension to it) or a structural improvement for the purpose of conserving or conveying water for use in the business of
primary production. The deduction applies to expenditure incurred on or after 14 April 1980 and does not apply where work has already commenced or where a contract has been entered into before 14 April 1980.

Clauses 3, 4 and 6 are consequential on the insertion of s.75B by clause 5. Clause 3 amends s.54 to ensure that a double deduction will not be available under both s.54 and s.75B. Clause 4 amends s.75A to remove the existing depreciation allowance (10%) for "conserving or conveying water for use in carrying on primary production on the land".

Full details are contained in an explanatory memorandum that will be circulated to members.

Finance, Industries, Trade & Development Group
9 May 1980
LEGISLATIVE RESEARCH SERVICE