

Taxation benefits

Guideline No 22.



Once a dairy effluent management system has been implemented, taxation benefits may exist, through sections 40-755 to 40-765 of the Income Tax Assessment Act.

For detailed information on your situation you should contact the Australian Taxation Office or your local accountant.

What are the taxation benefits?

Farmers are advised to consult their tax consultants in regard to the tax deductibility of expenditure on effluent storage and control. At the time of publication the situation is as follows.

Sections 40-755 to 40-765 of the Income Tax Assessment Act provide an immediate deduction to a taxpayer carrying on an income-producing activity for expenditure for the sole or dominant purpose of:

- Preventing, combating or rectifying pollution by the taxpayer's business on the site of that business; or
- Treating, cleaning up, removing or storing waste produced by the taxpayer's business.

Without these provisions in the Act, no deductions would be allowable.

The deduction does not apply to expenditure on buildings, structures (including earthworks), plant and equipment. However, use of the property for the environmental purposes listed above will be taken to be the use of the property for the purpose of producing assessable income.

This clarifies the eligibility of expenditure for periodic deductions such as depreciation. The original cost of structural improvements, including earthworks, constructed for environmental purposes will be able to be written off in the same way as general structural improvements.

We consider that this would apply to the systems being implemented to reduce and prevent further pollution of groundwater. Thus any non-capital expenses incurred for this purpose could be claimed as a deduction in the year of the expense in the same way as other expenses of carrying on the business of dairy farming can be claimed.

If you have any questions relating to taxation, we recommend that you contact either your accountant or the Australian Taxation Office.