

## Tax Incentives for Environmental Objectives

- Karen Trainor and Paul Callaghan,  
partners, Henderson Trout, Solicitors,  
Brisbane.

**A number of tax incentives now apply to encourage protection and rehabilitation of the environment.**

First, capital expenditure on environmental impact studies is now tax deductible. From 12 March 1991 capital expenditure incurred primarily and principally in undertaking an environmental impact study is an allowable tax deduction.

The major feature of this deduction are as follows:-

- Deductions will be allowable on a straight line basis for expenditures (other than on plant and equipment) over a period of the life of the project of 10 years, whichever is the lesser. The life of the project includes any time taken to complete the environmental impact study and any time between the completion of the study and the commencement of the project. If the project does not commence then the expenditures are deductible over a period of 10 years.
- The deduction is available from the year in which it was incurred and where the environmental study takes place over a number of years, expenditure in each year is allowable from the year in which it was incurred. Deductions may be offset against any other income and the usual carry forward and group transfer provisions relating to losses apply.
- Deductions are only available to the taxpayer who incurs the expenditure and are not transferrable. Purchasers or part purchasers of the project to which the environmental impact study relates will not be able to claim the deduction for expenditure incurred by the vendor. Expenditure on plant and equipment involved in the environmental impact study is deductible according to the usual tax provisions relating to depreciation for plant and equipment used for the purpose of producing assessable income.

Secondly, from July 1 1991 a deduction will be allowed from expenditure incurred in mine site rehabilitation. Further, taxpayers earning income from the land will be given a full tax deduction from expenditures incurred in taking measures to prevent land degradation e.g. erection of fences for the prevention of such degradation.

Finally, in its report on the greenhouse effect, the Senate Standing Committee on Industry, Science and Technology has recommended the introduction of tax incentives as well as a tightening of industry standards. Entitled "Rescue the Future", the report recommends further consultation between government and industry with a view to implementing incentives to promote more efficient use of energy.

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