



Effective life

Detailed information about depreciation and effective life.

Capital allowances: effective life – determinations, rulings and law



Details of ATO effective life determinations, rulings, and law relating to the effective life of depreciating assets.

Effective life of buses, light commercial vehicles, minibuses, trucks and truck trailers



What the statutory caps apply to and how they work.

QC 28419

Capital allowances: effective life – determinations, rulings and law

Details of ATO effective life determinations, rulings, and law relating to the effective life of depreciating assets.

Last updated 19 July 2024

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ATO determinations of effective life

ATO determinations of effective life are made by legislative and published on the ATO Legal Database.

Primary legislative references

Sections 40-95, 40-100 and 40-105 of the *Income Tax Assessment Act 1997*

Taxation rulings

Effective lives were published in tables attached to taxation rulings relating to the effective life of depreciating assets. Previously, these tables were updated and revised every 6 months by an addendum to one ruling (TR 2000/18). There were several such addendums to *Taxation Ruling TR 2000/18*.

The publication of *Taxation Ruling TR 2006/5* saw the practice of periodically updating the tables by issuing a new ruling. *TR 2022/1 Income tax: effective life of depreciating assets* is the last such ruling published

For more information, see:

- Effective life of depreciating assets

QC 50914

Capital allowances: statutory caps on the effective life of buses, light

commercial vehicles, minibuses, trucks and truck trailers

What the statutory caps apply to and how they work.

Last updated 1 May 2013

Statutory caps apply to the Commissioner's determinations of the effective life of certain depreciating assets including buses, light commercial vehicles, trucks and truck trailers. This came into effect on 1 January 2005. Statutory caps are also known as legislative caps.

Taxpayers who choose to use the Commissioner's determination of effective life for these depreciating assets must use the shorter of the capped effective life and the Commissioner's determined effective life.

What do the statutory caps apply to?

The caps apply to certain buses, light commercial vehicles, trailers and trucks (as described in the table below) which are acquired and first used for any purpose on, or after, 1 January 2005. The change is contained in *Tax Laws Amendment (2005 Measures No. 1) Act 2005*, which received Royal Assent on 29 June 2005.

What is effective life?

The effective life is the period that the asset can be used by anyone for income producing purposes. The decline in value of a depreciating asset is worked out using the asset's effective life. The effective life is worked out assuming that the asset will be maintained in reasonably good order and condition, and that it will be subject to wear and tear that is reasonably expected based on the circumstances of its use.

How do the statutory caps on effective life work?

For most depreciating assets, you can choose to adopt the Commissioner's determination, or to self-assess the effective life. For depreciating assets affected by the statutory caps you still have this choice. However, if you choose to use the Commissioner's determination, you must then use the shorter of the capped effective life and the Commissioner's determined effective life.

The Commissioner's determination of effective life and the capped effective life of the depreciating assets affected by these statutory caps are compared in the table below. The capped effective life is shorter for all of the affected assets. Therefore, if you choose to use the Commissioner's determination, you must use the capped effective life as set out in the table.

Depreciating asset	Commissioner's determination of effective life	Capped effective life
Buses with a gross vehicle mass of more than 3.5 tonnes	15 years	7.5 years
Garbage compactor trucks (including the compactor)	10 years	7.5 years
Light commercial vehicles with a carrying capacity of one tonne or greater and a gross vehicle mass of 3.5 tonnes or less (including utilities, vans, and light trucks)	12 years	7.5 years
Minibuses with a gross vehicle mass of 3.5 tonnes or less and seats for 9 or more passengers	12 years	7.5 years
Trailers with a gross vehicle mass greater than 4.5 tonnes	15 years	10 years
Trucks having a gross vehicle mass greater than 3.5 tonnes (other than a truck that is used in mining operations and that is not of a kind that can be registered to be driven on a public road in the place	15 years	7.5 years

in which the truck is operated)		
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Example

John purchased a truck (with a gross vehicle mass in excess of 3.5 tonnes) on 1 January 2005 and started using it immediately in his business. John chose to use the effective life determined by the Commissioner. The effective life of John's truck as determined by the Commissioner is 15 years. As the capped effective life of the truck of 7.5 years (row 5 of the table) is shorter than the Commissioner's effective life, John must use the capped effective life.

Legislative references

Further Information

[Tax Laws Amendment \(2005 Measures No. 1\) Act 2005: Chapter 2 - Effective life of assets declining in value.](#)

The Commissioner's determined effective life of the depreciating assets affected by these statutory caps can be found in the schedules attached to the various effective life Taxation rulings, accessible from [Capital allowances: rulings, law and objections.](#)

More information

- Speak to your tax adviser
- Refer to [Capital allowances: calculating the decline in value of a depreciating asset](#) for advice on self-assessing effective life
- Read an [overview of effective life and the review process](#)
- Phone us on:
 - **13 28 66** - for business tax enquiries
 - **13 28 61** - for personal tax enquiries.

Further Information

Go to the [Capital allowances home page](#).

QC 18153

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