

## Tax deductions for asbestos testing, removal and disposal

*This fact sheet provides information for owners of commercial and rental properties on income tax deductions for certain asbestos activities.*

### Key facts

In July 2020, the Australian Taxation Office (ATO) published the taxation ruling [TR 2020/2](#) allowing income tax deductions for expenditure on 'environmental protection activities'.

This means if you own a property that provides you with an income, for example commercial or rental properties, some asbestos activities may be claimed as a tax-deductible expense.

The activities are:

- **testing** where asbestos is suspected (even if asbestos is not found)
- **engaging a licenced asbestos removalist** to remove and dispose of asbestos (including fences and sheds)
- **replacing removed materials**, only where this results in a minor degree of alteration and improvement.



### What does the tax ruling allow?

*The Income Tax Assessment Act 1997 (subsection 40-755(1)) allows an immediate deduction for expenditure you incur for the **sole or dominant** purpose of carrying on **environmental protection activities**.*

**'Environmental protection activities'** are activities to prevent or remedy pollution and to treat, clean up, remove or store waste:

- resulting, or likely to result, from your earning activity
- at or from the site of your earning activity
- at or from a site where an entity was carrying on any business that you have acquired and carry on substantially unchanged as your earning activity.

To be eligible to claim deductions, these activities must be undertaken by you or for you, where the primary purpose ('sole or dominant purpose') of the expenditure is to deal with the pollution or waste.

Asbestos is a pollutant and falls within the scope of the 'environmental protection activities.' This means expenditure incurred to remedy asbestos pollution can be deducted.

This includes costs incurred to:

- take samples and have them tested for the presence of asbestos, even if the testing confirms the material is not asbestos
- engage asbestos professionals to safely remove and dispose asbestos
- replace the asbestos with a non-pollutant material, only where it results in a minor change or improvement to a building or structure, i.e. doesn't result in capital improvements.



# ASBESTOS FACTS



## Can I claim a deduction for expenses to remove pieces of asbestos waste found on my rental property?

Yes. In this case asbestos waste is considered an environmental protection activity and there is a necessary connection between the waste and the site of your earning activity.

You can also claim a deduction if the pollution or waste at your site:

- > was caused by someone else
- > was present before you engaged in your earning activity on the site
- > originates from your site and has affected another site.

Deductions include the costs of transport and disposal at a landfill facility licenced to accept asbestos.



### EXAMPLE 1:

Angela is a landlord for a house which has a dilapidated shed in the backyard. The shed is clad in asbestos cement sheeting that is damaged and could be harmful to her tenants.

An asbestos removal company safely demolishes and removes the shed for \$7,000. The cost of demolishing and removing the shed is expenditure incurred for the dominant purpose of preventing pollution from the site of Angela's rental income-producing activity.

Accordingly, Angela can deduct \$7,000.

### EXAMPLE 2:

Craig owns a commercial property from which he derives income. Craig wishes to remove the asbestos cement roof to prevent future asbestos contamination. He engages a building contractor to remove the roof and replace it with superior quality roof tiles.

The total cost of the work is \$20,000. The cost of the licensed asbestos removalist to undertake the asbestos roof removal is \$9,000.

As the scope of environmental protection activities include all actions necessary to prevent asbestos pollution, only the removal of the asbestos roof (i.e. the pollutant) can be deducted, not its replacement which is considered a capital improvement.



## Further information

Refer to the taxation ruling [TR 2020/2](#) and seek advice from tax professionals.