



This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

Fringe benefits tax: for the purposes of the statutory formula method of valuing car fringe benefits, when is the 'cost price' or 'leased car value' reduced under subsection 9(2) of the *Fringe Benefits Tax Assessment Act 1986*?

1. There is a once only reduction to the provider of one third of the 'cost price' or 'leased car value', after a car has been held for four years. The one third reduction applies from the start of the FBT year following the fourth anniversary of the date the car was first owned or leased by the provider of the car benefit.
2. The reduction does not apply to non-business accessories fitted after the car was acquired. Any such additions must be included in the 'base value'.
3. The definitions of 'cost price' and 'leased car value' are contained in subsection 136(1). The definitions of 'base value' is contained in subsection 9(2).

Example

A car was bought for \$30,000 on 5/8/88. On 10/1/89 a CD player costing \$1,500 was installed. Accordingly the base value for the 1989 to 1993 FBT years is \$31,500. The fourth anniversary of the purchase of the car is 5/8/92. The cost price reduction is applied from 1/4/93. The base value to be used for the 1994 FBT and future years is \$21,500 i.e., $\$30,000 \times 2/3 + \$1,500$. The CD player is a non-business accessory added after acquisition and is not subject to the reduction.

Commissioner of Taxation

14/4/94

